Nova Scotia
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June 8, 2026

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

Re: M12768 Extra Large Industrial Active Demand Control (ELIADC) Tariff 2025 Report – NS Power Reply Submission

Dear Ms. Henwood:

Nova Scotia Power Incorporated (NS Power, Company) filed the ELIADC Tariff 2025 Report with the Nova Scotia Energy Board (NSEB, Board) on March 26, 2026. The Company filed responses to information requests from Bates White (BW), the Consumer Advocate (CA), the Small Business Advocate (SBA), and the Industrial Group (IG) on May 8, 2026.

On June 1, 2026, NS Power received submissions from BW, IG, and the SBA; the CA confirmed it "will not be making submissions in this matter." In accordance with the Board-established timeline, the Company provides the following as its reply submission.

Comparison of Tariff Performance to Original Forecast Benefits

BW,[1] IG,[2] and SBA[3] submissions compare actual ELIADC Tariff performance to the approximately $10 million forecast average annual benefit to customers provided in the Company's 2019 ELIADC Tariff Application (M09420). NS Power has addressed this in several prior proceedings including, most recently, in the ELIADC Tariff Third Term

[1] BW's Submission, at pages 2-3, provided "The modest ADC benefit in 2025 is the first realized since the tariff's first year of operation (2020). NSPI's calculated 2025 ELIADC benefit for other customers of $4.4 million remains substantially below the $10 million/year benefit expected by NSPI in 2019 when it submitted the ELIADC Tariff to the Board for approval."

[2] At page 1, the IG's Submission provided "Over the six-year history of the tariff, annual benefits to other customers have been approximately $4.2 million per year, or less than half the forecast average of $10 million."

[3] The SBA's Submission, at page 2, provided "Since its inception, the ELIADC Tariff has provided a positive benefit from PHP load shifting for two out of the six years between 2020 and 2025, and during the other four years the minimum payment prevailed."

Application (M12184) proceeding repeated below:

> A determination that the ELIADC Tariff has not been a success ignores the following:
>
> - This innovative electricity industry tariff construct, by which the load of the Company's largest customer is integrated into the utility's system dispatch in a manner which benefits the ELIADC Tariff customer and all other customers, is a significant achievement.
>
>   That the ELIADC Tariff provides financial and system benefits for all customers is not disputed in the submissions of the parties. Rather, criticism of the financial benefits is that they are less than originally forecast in 2019 which ignores the well-established and undisputed international market upheaval at the root of this. With respect to the system benefits, criticism has focused on the Company's inability to provide concrete evidence of the frequency, magnitude, and quantification of these system reliability/stability benefits though it should be understood that this is a developing and complex area of focus and not a primary driver of the original tariff application, and that the system benefits which are being provided are at no incremental cost to other customers.
>
> - With the service provided to PHP costed and recovered from PHP on an incremental basis, the ELIADC Tariff construct has reduced the negative effect for other customers of the extraordinary increase in fuel and purchased power cost over the life of the ELIADC Tariff. This is raised in the Company's application and elaborated upon in responses to IRs questioning the Company's claim that the ELIADC Tariff has served to insulate customers other than PHP from the higher incremental cost of recent years.
>
>   No party has refuted the Company's claim in their submissions that, while the forecast benefit for other customers has fallen short of the 2019 application forecast by approximately $6 million per year, the increase in costs borne by PHP, compared to the 2019 application forecast was approximately $30 million per year over the four-year period (i.e. 2020-2023).
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>   //
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> - The complexity of the ELIADC Tariff operations and administration applied against the backdrop of a rapidly evolving power system and with PHP operating in a dynamic and challenging market means ELIADC Tariff administration and operations in general, and the Active Demand Control feature in particular, will continue to require refinement. Issues with respect to tariff fine-tuning and requested additional reporting are to be expected and should not be considered evidence of critical flaws.[4]

[4] M12184 – Application for Approval of a Third Term for the ELIADC Tariff, NS Power Reply to Submissions, pages 2-4. June 24, 2025.

This, and the Company's submissions on this issue in prior proceedings, remain relevant in the context of the Tariff outcomes reported for 2025. Variance between forecast and actual results are primarily a reflection of evolving market and operational conditions and should not be interpreted as a deficiency in the design of the Tariff.

The IG raises concerns regarding the adequacy of the minimum payment under the ELIADC Tariff.[5]

As with prior Annual ELIADC Reports, this proceeding relates to the review of the operations of the ELIADC Tariff during the 2025 Tariff year. The ELIADC Tariff has been, and continues to be, operated by NS Power in accordance with the Board-approved terms that form the Tariff. Matters relating to tariff design, including the appropriate level of the minimum payment, are more appropriately addressed in the context of tariff proceedings, where all elements of the tariff can be considered together.

FAM Audit Recommendations and Reporting Enhancements

The IG[6] and SBA[7] raise concerns regarding NS Power's implementation of recommendations, XV-1 and XV-3, arising from the 2022–2023 FAM Audit (M11533). In its submission, BW notes "[a]s FAM auditor, Bates White is currently conducting the 2024-2025 FAM Audit, which includes ELIADC Tariff results from 2025. We will address 2025 ELIADC results and NSPI's efforts to comply with prior FAM Audit recommendations in our upcoming FAM Audit report."[8]

<u>Recommendation XV-1</u>

The Company clarifies that its acceptance of this recommendation reflects its commitment to investigate and develop a feasible approach to enhanced benefit quantification within the capabilities of its system modeling tools and available data. Consistent with the intent of the recommendation, which is expressly described as "to the extent possible," NS Power's

[5] At page 2, the IG provides its view that "the $5/MWh floor as providing insufficient protection for other ratepayers against continued underperformance."
[6] At page 3, with respect to Recommendation XV-1, the IG provided "The IG requests that the Board: (a) direct NSPI to propose a specific alternative methodology, with a firm timeline, in lieu of the hourly Cause Code analysis; and (b) note its concern about NSPI's practice of accepting regulatory recommendations without disclosing known implementation barriers." In relation to FAM Audit Recommendation XV-3, at page 4 the IG provided "NSPI has deferred the same deliverable across multiple annual reporting cycles. The cyber incident is a partial explanation for the 2025 delay, but the record shows that as of March 2026, no quantification was available, and the FAM SWG meeting updates for September 2025 and December 2025 provided no new information whatsoever. The IG requests that the Board impose a firm deadline for delivery of this analysis."
[7] At page 4, the SBA provided the following with respect to Recommendation XV-3 "The SBA respectfully submits 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."
[8] BW Submission, page 3.

acceptance of Recommendation XV-1 was not an unconditional commitment to implement a specific methodology irrespective of feasibility.

As discussed in IG IR-11, "from the outset NS Power indicated that the prescribed action in Recommendation XV-1 to determine hourly benefits and costs associated with Cause Codes 1 through 4, may not be feasible."[9] As the Company's work progressed, material practical limitations were identified[10] and disclosed, both with BW and through FAM Small Working Group meetings,[11] as they became evident. NS Power continues to work with BW, as the FAM Auditor, to identify the level of quantification that is both technically feasible and provides meaningful insight.

Recommendation XV-3

With respect to the IG's submission that "[t]he cyber incident is a partial explanation for the 2025 delay" and the SBA's request for the Board to direct NS Power to provide "the status of its efforts to restore key data and platforms following the recent cyber event," the Company confirms that this analysis cannot be completed manually or approximated without introducing material inaccuracy.[12]

The 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 in time in 2025 as a result of the cyber incident. In the meantime, NS Power has implemented incremental reporting enhancements (provided in Tables 1-3 of the Report) and has continued development of improved benefit quantification approaches. As systems have been restored, the Company has resumed the work and will continue to advance it using the appropriate modeling tools.

NS Power will continue to work constructively with BW and stakeholders, including through the FAM Small Working Group,[13] to provide updates on the implementation of FAM Audit recommendations.

[9] IG (NSPI) IR-11, page 1, lines 21-23. Please also refer to IG IR-13.

[10] Specifically, NS Power identified material limitations associated with isolating and valuing the incremental impacts of individual cause codes using production simulation tools, which are designed to model system-wide dispatch outcomes and do not provide the granularity required to attribute costs and benefits reliably at the individual cause code level without introducing material inaccuracy.

[11] FAM SWG updates on M11533 recommendations XV-1 and XV-3 were provided in March 2025, June 2025, September 2025, December 2025, and March 2026, as detailed in IG IR-11 and IG IR-13.

[12] The requested analysis requires full system modelling of dispatch outcomes; manual or approximated approaches would result in material differences (inaccuracy) in the analysis.

[13] In its response to SBA IR-4 part (b), the Company provided "NS Power anticipates that it will have data on more detailed quantification of 2025 ADC load shifting benefits available for the Q2 2026 FAM Small Working Group meeting."

Reporting, Accounting, and Transparency

Monthly Variability, Cost Recovery, and Reporting

In its submission, the IG describes month-to-month variability between billed revenues and cost to serve, and requests NS Power "provide in the monthly reporting M-8, 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."[14] The IG also raises concerns regarding the inclusion of prior-period adjustments in annual results and proposes expanded monthly reporting.[15]

By design, the ELIADC Tariff operates as an annual settlement mechanism under which PHP pays the incremental cost to serve, together with applicable tariff components, on a fully reconciled annual basis. Monthly differences arise from fluctuations in system conditions, including fuel costs, dispatch requirements, and the operation of PHP's flexible load within system optimization. PHP load is forecast/planned on a day-ahead and intra-day basis and dispatched on a real-time basis to reflect system cost conditions, where the economic value of this dispatch is captured through annual modeling and reconciliation.

In addition, the amounts referenced in the 2025 Report Attachment reflect the reconciliation between accrual-based monthly reporting through the FAM and the finalized annual ELIADC Tariff results. This treatment is consistent with applicable US GAAP accounting standards and ensures that revenues are recognized in the appropriate period. As a result, monthly values are booked on an accrual basis and are inherently provisional and subject to refinement through quarterly and annual processes, including updates to production modeling and customer data, and do not represent the final cost recovery outcome.

Accordingly, month-to-month comparisons of billed revenue and cost to serve do not reflect the economic outcome of the Tariff and cannot be interpreted as evidence of a "cross-subsidy." 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. The appropriate lens for assessing ELIADC Tariff performance is the net annual result, which fully captures the effects of dispatch decisions, cost variability, load shaping behaviour, and accrual adjustments over the year.

[14] IG Submission, page 5.

[15] The IG, at page 5, requested "NSPI be directed to include, as a standard feature of future annual reports, (or as part of a final ELIADC reconciliation) a table that presents annual benefits and costs both as reported under GAAP and on a "clean year" basis — that is, excluding prior-year adjustments — so that the Board and Intervenors can assess performance on a like-for-like basis across years."

<u>Interest on Settlement Balances</u>

The IG proposes that interest be applied to post-year-end balances.[16]

The balance referenced for 2025 arises from the final annual reconciliation of Tariff components, including the Off-Schedule Charge. This charge is a tariff-prescribed incentive mechanism designed to encourage adherence to dispatch instructions and is calculated only at year-end. It does not represent an ongoing financed balance, nor does it reflect a cost recovery shortfall over time.

More broadly, these balances are short-lived and relatively small in magnitude, and the current approach is consistent with established practice.

<u>Cause Codes and Cost Sharing Variability</u>

In its submission, BW provided:

> The increase in Cause Code 5 hours from 2024 is concerning, if only because NSPI is only refunding 75% of the incremental costs of those deviations to its other customers. Still, total Cause Code 5 hours were lower in 2025 than in the first four years of the ELIADC Tariff, where Cause Code 5 hours ranged from 100 to 466 hours in a given year.[17]

Operations under off-schedule hours (Cause Code 5) reflect the benefit-sharing design of the ELIADC Tariff, including mechanisms to ensure that customers are protected if PHP deviates from dispatch instructions. Under the Tariff, Active Demand Control (ADC) benefits are shared between PHP and customers and, where off-schedule hours occur, the Tariff provides for a corresponding adjustment to PHP's share of those benefits.[18]

Through the ELIADC Tariff, PHP pays the full incremental cost of the generation which served it. As described above, the Off-Schedule Charge is an incentive mechanism to encourage adherence to dispatch instructions and is not reflective of the incremental cost to serve PHP. For clarity, 100 percent of the off-schedule charges are recovered from PHP, with no portion flowing to other customers.

As demonstrated in Table 1, the methodology for calculating (i.e. whether "PHP payment of

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[16] At page 4, the IG provided "While this amount is small compared to the total costs, the IG observes that other customers effectively finance PHP's balance at no cost to PHP during this period. If NSPI were to carry a similar balance owed by other customers in the FAM, it would accrue interest. The IG recommends that the Board direct NSPI to account for carrying costs for outstanding post-year-end balances and consider whether interest should apply to outstanding post-year-end balances in the successor ELID."
[17] BW Submission, page 3.
[18] This adjustment was applied consistent with the methodology used in 2020 to account for PHP ADC benefit with off-schedule hours.

Off-schedule Charges" is included before or after the calculation of ADC benefit) does not change the overall cost/benefit to PHP or other customers.

Table 1 – Allocation of Off-Schedule Charges to PHP before and after ADC Benefit Allocation

	Off-schedule Charges applied before ADC Benefit is Allocated	**Off-schedule Charges applied after ADC Benefit is Allocated**
(A) Initial ADC Benefit	$1,522,611	$1,522,611
100 percent of Off-Schedule Charges	$706,609	$706,609
(B) PHP Payment of Off-Schedule Charges	$706,609	–
Updated ADC Benefit (A+B)	**$2,229,220**	**$1,522,611**
(C) ADC Benefit to Customers (75 percent)	$1,671,915	$1,141,958
(D) ADC Benefit to PHP (25 percent)	$557,305	$380,653
(E) PHP Payment of Off-Schedule Charges	–	$529,957
Updated ADC Benefit to Customers (75 percent) (C+E)	**$1,671,915**	**$1,671,915**
Updated ADC Benefit to PHP (25 percent) (D-E)	**$557,305**	**($149,304)**
Total Payment by NS Power to PHP	$557,305	–
Total Payment by PHP to NS Power	$706,609	$149,304
Net Payment to/(from) PHP	**($149,304)**	**($149,304)**

The effectiveness of this structure is appropriately assessed on an annual basis, rather than by isolating individual components. In 2025, even though an ADC benefit was realized, the combined operation of the ADC benefit calculation and the off-schedule hours resulted in a net payment from PHP to customers, demonstrating that the Tariff functioned as intended.

Relationship to the ELID Proceeding

At the onset of its submission the IG provided that its comments were "submitted with the understanding that the ELIADC expires at the end of 2026 … [a]ccordingly, these comments are largely observational rather than for specific recommended changes or improvements to the ELIADC."[19]

Consistent with this framing, the IG raises concerns regarding PHP's ability to revise its load and capture dispatch optimization benefits when operating below forecast levels, and

[19] IG Submission, page 1.

"recommends this be considered in the context of the ELID tariff design."[20]

The Company agrees that matters relating to the design of the proposed ELID Tariff, including the treatment of load variability and forecast revisions, are appropriately addressed in the ELID Tariff proceeding currently before the Board in Matter M12661.

Conclusion

The 2025 ELIADC Annual Report demonstrates that the ELIADC Tariff continues to operate in accordance with its approved design, enabling the integration of PHP's flexible load into system dispatch and providing measurable benefits to other customers.

While actual benefits differ from that forecast in the Company's 2019 ELIADC Tariff Application, the Tariff's incremental-cost-based framework ensures appropriate cost recovery and annual reconciliation.

NS Power respectfully submits that:

- The 2025 Annual Report fulfills its intended purpose of summarizing tariff operations and outcomes;
- Matters relating to FAM audit recommendations and enhanced reporting are appropriately considered within the FAM Audit process; and
- Issues relating to tariff design are outside the scope of this Annual Report proceeding.

The Company respectfully requests that the Board accept the 2025 ELIADC Annual Report.

Yours truly,

Karynne Munroe
Manager, Regulatory Affairs

[20] IG Submission, page 2.