

Nova Scotia Energy Board

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

and

IN THE MATTER OF an application by the Independent Energy System Operator of Nova Scotia (“IESO Nova Scotia”) made pursuant to Section 29 of the MAEA for the review of its Fee Recovery Mechanism.

IESO Nova Scotia Fee Recovery Mechanism Application

July 31, 2026

IESO Nova Scotia – Fee Recovery Mechanism Application

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1. EXECUTIVE SUMMARY

The Independent Energy System Operator of Nova Scotia (“IESO Nova Scotia”) applies to the Nova Scotia Energy Board (“NSEB”, “Board”) pursuant to subsection 29(1) of the *More Access to Energy Act*, SNS 2024, c 2, Sch B, (“MAEA”) for approval of a fee recovery mechanism and corresponding fees to recover its Board-approved revenue requirement from applicable market participants. The proposed mechanism would replace the temporary financial relief currently in place under the Board’s February 26, 2026 Interim Order in M12663, which approved interim fees payable by Nova Scotia Power Incorporated (“NSPI”) until the earlier of March 31, 2027 or the effective date of a Board-approved replacement fee recovery mechanism.

IESO Nova Scotia proposes a fixed monthly direct charge to load serving entities (“LSEs”) in Nova Scotia, allocated according to each LSE’s proportionate share of annual load served, with two options for an annual revenue requirement true-up to reconcile IESO Nova Scotia’s forecast and actual costs, and a load allocation adjustment to reconcile forecast and actual load share (collectively, the “Proposed Mechanism”). The current applicable LSEs are NSPI, the Town of Berwick Electric Commission, the Town of Mahone Bay, the Town of Antigonish, and the Riverport Electric Light Commission.

The proposed methodology is grounded in expert advice from FTI Consulting LLP (“FTI”) and Power Advisory LLC (“Power Advisory”), as well as stakeholder engagement undertaken by IESO Nova Scotia during the development of the Proposed Mechanism. FTI’s jurisdictional research identified a common four-step framework for independent system operator (“ISO”) cost recovery: determining the revenue requirement, allocating that revenue requirement to market participants, setting ISO fees, and applying collection and true-up mechanisms.

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IESO Nova Scotia’s proposal applies that framework in a manner tailored to Nova Scotia, and to IESO Nova Scotia’s present Phase 1 mandate. At this stage, IESO Nova Scotia is responsible for system planning, energy resource procurement, and interconnection functions, but does not yet have operational control of the grid or ownership of the Open Access Transmission Tariff (“OATT”).

For the period covered by this application, Power Advisory’s fee calculation model calculates the remaining 2025/26 and 2026/27 revenue requirement to be recovered from December 1, 2026 to March 31, 2027, assuming approval of IESO Nova Scotia’s 2026/27 revenue requirement as applied for, continuation of interim payments from NSPI through November 2026, and full recovery by the end of IESO Nova Scotia’s 2026/27 fiscal year, as shown in Figure 1 below based on a revenue requirement application true-up option.

Figure 1 – Fees to Market Participants

Market Participant	# Months of Revenue Collection	Monthly Fees
NSPI	4	\$ 2,591,500
Berwick Electric Commission	4	\$ 18,785
Riverport Electric Light Commission	4	\$ 4,483
Town of Mahone Bay	4	\$ 6,882
Town of Antigonish	4	\$ 42,587
Total	4	\$ 2,664,236

IESO Nova Scotia identified an additional true-up option which incorporates prior year revenue requirement variances sooner via a compliance filing. In this application, that option allows for IESO to apply the under-spend from fiscal year 2025/26 by compliance filing, resulting in revised charges to market participants as shown in Figure 2 below.

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1 **Figure 2 - Monthly Fees with 2025/26 True-Up in a Compliance Filing**

Market Participant	# Months of Revenue Collection	Monthly Fees with 2025/26 True-Up
NSPI	4	\$ 2,514,164
Berwick Electric Commission	4	\$ 18,494
Riverport Electric Light Commission	4	\$ 4,413
Town of Mahone Bay	4	\$ 6,776
Town of Antigonish	4	\$ 41,929
Total	4	\$ 2,585,776

2

3 IESO Nova Scotia provides in this application both true-up methodologies for the Board and

4 stakeholder's consideration.

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2. INTRODUCTION

IESO Nova Scotia is the recently established independent system operator for Nova Scotia, taking over the system planning, energy resource procurement, and interconnection functions of NSPI. Currently, IESO Nova Scotia recovers its revenue requirement through a temporary fee mechanism charged monthly to NSPI, which was approved by the NSEB by Interim Order on February 26, 2026.

In its 2025/26 Revenue Requirement application, IESO Nova Scotia committed to providing a fee recovery mechanism for the collection of its revenue requirement in a future revenue requirement application. In the development of its 2026/27 revenue requirement and fees application, it became apparent that more work would be required to develop a fee recovery mechanism that was based on jurisdictional research and was put to a fulsome stakeholder engagement process – as such, IESO Nova Scotia applied for temporary financial relief, but in its request for approval of the temporary fee mechanism in its 2026/27 Revenue Requirement application, IESO Nova Scotia provided the following:

IESO Nova Scotia will develop and propose a permanent IESO Nova Scotia fee and cost recovery mechanism and assist in the development of a corresponding market participant cost recovery mechanism in 2026. IESO Nova Scotia's permanent fee and cost recovery mechanism and corresponding market participant cost recovery mechanism will be submitted for the NSEB's review and approval in Q2 2026, with the goal of NSEB approval prior to year-end 2026. IESO Nova Scotia's permanent fee application will also request recovery of IESO Nova Scotia's remaining Board-approved 2025-2027 fiscal year revenue requirement, effective from the date of NSEB's approval of the permanent fee recovery mechanism, up to and including March 2027, the end of IESO Nova Scotia's 2026/2027 fiscal year.¹

¹ IESO Nova Scotia 2026/27 Revenue Requirement Application (M12663), January 20, 2026, p.41, lines 19-27. IESO Nova Scotia provided a progress update to the NSEB on July 6, 2026, noting that its application for a fee recovery mechanism would be made in July 2026.

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IESO Nova Scotia has conducted a thorough regulatory stakeholder engagement process during the various stages of the fee recovery mechanism’s development, as outlined in IESO Nova Scotia’s progress update letter to the NSEB on July 6, 2026. This engagement resulted in feedback being received from stakeholders and addressed by IESO Nova Scotia where possible. IESO Nova Scotia confirms that the items noted for completion the week of July 6, 2026 in its progress update were completed.² As a result, this application incorporates feedback from stakeholders as part of that engagement process. Subsequent to stakeholder engagement discussions, IESO Nova Scotia identified an additional and preferred true-up option (as noted below) which incorporates prior year revenue requirement variances sooner via a compliance filing mechanism.

In this Application IESO Nova Scotia seeks Board approval of a fee recovery mechanism (the “Proposed Mechanism”) to replace the temporary fee mechanism, a corresponding fee to be charged to applicable market participants calculated based on that methodology, and the proposed approach of seeking annual approval of future fees, revenue requirement true-ups, and load allocation adjustments as part of IESO Nova Scotia’s annual revenue requirement application under subsection 29(1) of the MAEA.

The MAEA is silent on how IESO Nova Scotia’s fees are to be calculated, through what vehicle they are to be charged, to whom they should be charged, or when collections should begin. To address these issues on an evidentiarily supported basis, IESO Nova Scotia set out to develop a fee recovery mechanism in conjunction with expert consultants FTI and Power Advisory. FTI conducted jurisdictional research and developed the Proposed Mechanism, which is fit-for-

² No additional feedback, which had been requested from stakeholders by July 14, 2026, was received.

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purpose for IESO Nova Scotia and the Nova Scotia electricity market. Power Advisory provided fee calculation modelling based on the Proposed Mechanism.

The result is a fee recovery mechanism that is based broadly on the following:

- A monthly charge based on IESO Nova Scotia's NSEB-approved revenue requirement
- Calculated by allocating IESO Nova Scotia's forecast revenue requirement by the forecast annual proportionate load served by each LSE in Nova Scotia
- Recovered monthly over the course of IESO Nova Scotia's 12-month fiscal year beginning April 1 and ending March 31
- With a true-up based on IESO Nova Scotia's actual costs, to be implemented either in a future revenue requirement application or by compliance filing to current revenue requirement applications, and an annual allocation adjustment for actual load served by the LSEs

The support and justification for the Proposed Mechanism and the calculation of fees are described in further detail in this application. Specifically, the Application addresses:

- **Section 3: Key Fee Recovery Mechanism Attributes.** How did jurisdictional research influence key attributes of the Proposed Mechanism?
- **Section 4: IESO Nova Scotia Proposed Mechanism.** What is the expert recommendation for IESO Nova Scotia's fee recovery mechanism and how does it work?

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- **Section 5: Fee Calculation Modelling.** How are the fees calculated and what are the fees proposed to be recovered in this application?

This Application addresses each of these topics in turn and requests that the NSEB approve the Proposed Mechanism and fees to be charged effective December 1, 2026, the amounts of which will be subject to the outcome of the true-up methodology determined to be most suitable in the Board's corresponding proceeding. The Application is further supported by the following expert submissions:

- Appendix 1 – FTI ISO Fee Recovery Mechanism Jurisdictional Report³
- Appendix 2 – FTI IESO Nova Scotia Fee Recovery Mechanism Recommendation⁴
- Appendix 3 – Power Advisory Fee Calculation Model⁵

This application deals exclusively with IESO Nova Scotia's Fee Recovery Mechanism and does not address how LSEs recover those costs. However, IESO Nova Scotia has assisted LSEs with information indicating hypothetical cost recovery scenarios, as part of its stakeholder engagement process, and is happy to continue to assist LSEs in the development of their own recovery mechanism as appropriate.

³ Appendix 1 contains the Jurisdictional Report as it was shared with stakeholders, with the addition of a few formatting and stylistic edits to finalize the document.

⁴ Appendix 2 contains the Proposed Mechanism Recommendation Report as it was shared with stakeholders, with the addition of a few formatting and stylistic edits to finalize the document, plus some additional discussion on billing determinants to address questions posed by stakeholders.

⁵ The Power Advisory Fee Calculation Model is provided in Excel format.

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3. KEY FEE RECOVERY MECHANISM ATTRIBUTES

3.1. Jurisdictional Research

IESO Nova Scotia engaged FTI to conduct a jurisdictional scan of cost recovery mechanisms used by other ISOs to inform the development of IESO Nova Scotia’s fee recovery mechanism. Please refer to Appendix 1 for a copy of the jurisdictional research report (the “Jurisdictional Report”). The Jurisdictional Report provides the evidentiary foundation for the Proposed Mechanism.

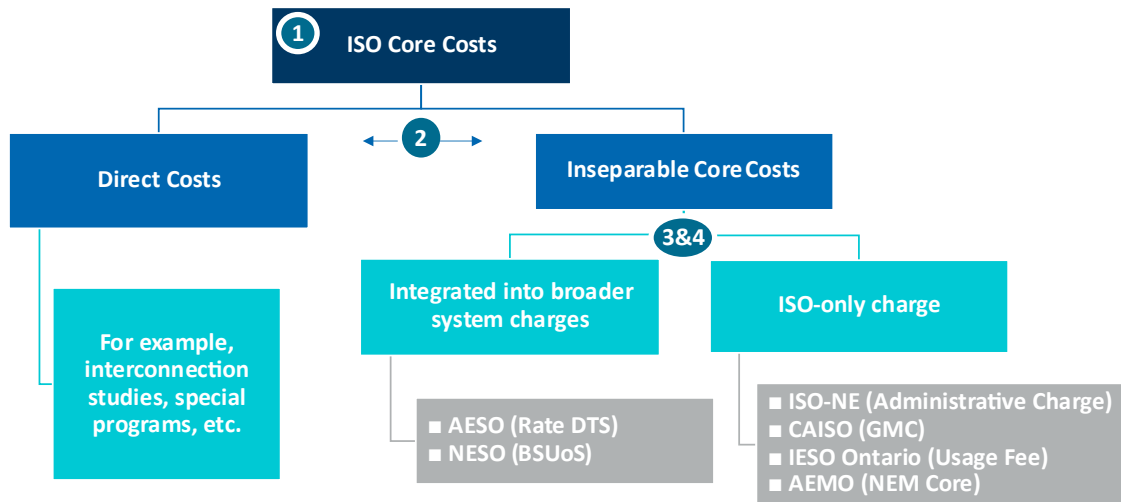
The Jurisdictional Report concluded that ISO fee recovery typically follows a four-step framework:

1. Determination of revenue requirement;
2. Allocation of revenue requirement to market participants;
3. Set ISO fees; and
4. Collection and true up.

These steps align with the flow chart provided in Figure 3 below. ISO Core Costs are defined as the internal costs related to running an ISO and carrying out its various functions. These are typically capital, operating, maintenance and administrative costs (“OM&A”). ISO Core Costs consist of (i) ‘inseparable costs’ incurred for activities that do not have an easily identifiable beneficiary, and (ii) ‘direct costs’ attributable to an identifiable beneficiary or user. An ISO-only charge is defined as a charge that only recovers the ISO Core Costs and no other system charges (e.g., transmission or energy balancing costs).

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1 **Figure 3 – ISO Core Costs Flow Chart**



2

3 *Source: FTI Consulting Analysis.*⁶

4 *Notes: DTS = Demand Transmission Service, BSUoS = Balancing Services Use of System,*

5 *GMC = Grid Management Charge, NEM National Electricity Market (of Australia).*

6

7 FTI’s jurisdictional research influenced the design of key aspects of the Proposed Mechanism as
8 described in the following section.

9

10 **3.2. Determination of Revenue Requirement**

11 ISOs must first determine their revenue requirement applicable for recovery from market
12 participants. In most jurisdictions, this is accomplished through applications made to the ISO’s
13 respective regulatory authority, which identify the ISO’s core costs.

⁶ Amended from FTI report to suit the purpose of this application, but otherwise based on the FTI report information and graphics.

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1 In IESO Nova Scotia's case, the process through which it determines its revenue requirement to
2 recover core costs is by way of an application to the Board under s. 29 of the MAEA. IESO Nova
3 Scotia's revenue requirement is approved by the Board under that authority and is subject to a
4 separate regulatory process. The Board-approved revenue requirement is the basis on which fees
5 are determined under the Proposed Mechanism.

6
7 The fees proposed in this application are based on IESO Nova Scotia's Board-approved 2025/26
8 revenue requirement (M12412) and applied for 2026/27 revenue requirement (currently before the
9 Board for consideration under M12663), adjusted to account for partial recovery through the
10 Interim Fees. Any final fees will be adjusted to reflect the Board's final decision on IESO Nova
11 Scotia's 2026/27 revenue requirement application (M12663).

12
13 In future years, IESO Nova Scotia proposes to apply for approval of its fees as part of its revenue
14 requirement applications using the Proposed Mechanism – in that way, Step 1 of the fee-setting
15 process would be combined with the remaining steps of that process.

3.3. Allocation of Revenue Requirement to Market Participants

Allocation Methodology

20 After determining its revenue requirement, an ISO's approved revenue requirement needs to be
21 allocated to market participants based on cost and benefit attribution. This allocation is based on
22 the types of service provided by the ISO and who directly benefits from those services. As
23 described above, the revenue requirement is typically divided between (i) 'inseparable costs', and

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(ii) ‘direct costs.’ The latter are attributable to an identifiable beneficiary or user, while inseparable costs are inherent to running an ISO and therefore benefit all customers as opposed to specific beneficiaries.

IESO Nova Scotia’s revenue requirement is comprised primarily of inseparable costs – its current services include system planning, energy resource procurement, and interconnection functions. System planning and procurement activities do not have individual direct beneficiaries other than for interconnection studies. Accordingly, IESO Nova Scotia’s revenue requirement and corresponding fees are recovered proportionately from all applicable market participants under the Proposed Mechanism.⁷

Identification of Market Participants

The costs of running an ISO are recovered from the market participants who benefit from the functions the ISO provides. FTI identified several types of market participants in its Jurisdiction Report who might be subject to various ISO fees, including LSEs, Generators, Intertie Traders, and, in one case, Transmission Owners. While the types of charges applied to these types of market participants vary from jurisdiction to jurisdiction, the most common type of market participant charged ISO fees was LSEs.

⁷ The only IESO Nova Scotia costs identified as being a potential ‘direct cost’ benefitting an easily identifiable beneficiary are the third-party recoveries for general interconnection study procedures (i.e. conducting interconnection studies for interconnection customers). However, as noted in IESO Nova Scotia’s 2026/2027 Revenue Requirement Application (M12663), these direct costs associated with interconnection study procedures are netted out from the overall revenue requirement via third-party cost recovery, and are therefore not included as part of the proposed fees to be recovered from market participants.

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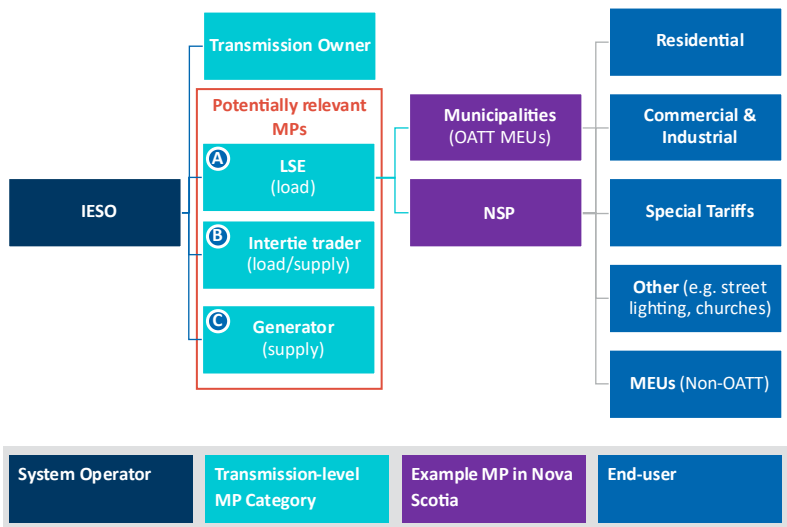
In Nova Scotia, the LSEs are comprised of NSPI and the various municipal utilities (collectively known as the Municipal Electric Utilities (MEUs)). MEUs registered as accredited market participants in Nova Scotia are as follows:

- Town of Berwick Electric Commission
- Town of Mahone Bay
- Town of Antigonish
- Riverport Electric Light Commission

NSPI and the MEUs collectively serve all load in Nova Scotia and pass their costs on to all other end-users (i.e. ratepayers in different customer classes).

Figure 4 below provides a high-level mapping of relevant market participants and their relationship to various ratepayer customer classes.

Figure 4 – Market Participants



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1 *Source: FTI Analysis.*

2 *Note: OATT = Open Access Transmission Tariff.*

3
4 Therefore, the Proposed Mechanism applies its fees to NSPI and the MEUs⁸ as the applicable
5 market participants in Nova Scotia.⁹ The complete list of LSE market participants subject to IESO
6 Nova Scotia fees under the Proposed Mechanism is as follows:

- 7 • NSPI
- 8 • Town of Berwick Electric Commission
- 9 • Town of Mahone Bay
- 10 • Town of Antigonish
- 11 • Riverport Electric Light Commission

12 13 **3.4. Set ISO Fees**

14 15 *Tariffs versus Direct Charges*

16 There are two main processes for recovering inseparable costs from users of the transmission
17 system: incorporation into an existing tariff (i.e. OATT) or levying a direct charge to market
18 participants. The Proposed Mechanism uses a direct charge.

⁸ Lunenburg takes fully bundled service from NSPI, are not registered as accredited market participants, and are therefore not directly subject to the Proposed Mechanism.

⁹ IESO Nova Scotia notes that a Renewable to Retail (RtR) Licensed Retail Supplier (LRS) is expected to begin providing electricity to its customers in December 2026. This LRS is considered an LSE for the purpose of applying IESO Nova Scotia fees. However, IESO Nova Scotia is not proposing fees be applied prospectively to this entity at this time, as any potential changes in the LRS's commercial operation date could affect necessary cash flow for IESO Nova Scotia. However, once the LRS is confirmed operational and providing electricity to its customers, IESO Nova Scotia will apply for corresponding adjustments to fees at the next appropriate opportunity to do so.

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1 As noted, at present IESO Nova Scotia's services include system planning, energy resource
2 procurement, and interconnection functions as part of its Phase 1 operations. It does not yet have
3 responsibility over either the OATT or system operation and dispatch – these functions will
4 transfer to IESO Nova Scotia as part of its Phase 2 operations and the proclamation of the
5 corresponding sections of the MAEA.

6
7 Whereas the OATT is currently under NSPI ownership, coordinating tariff amendments to the
8 OATT would result in increased complexity and process management timelines. Furthermore, the
9 services and charges administered under the OATT relate to system operation and dispatch
10 services, which also remain under the ownership of NSPI, and do not directly correspond to IESO
11 Nova Scotia's current responsibilities. Therefore, incorporating IESO Nova Scotia fees via tariffs
12 under the OATT is currently not a good fit for IESO Nova Scotia.

13
14 In light of this, a direct charge to market participants is the best fit for IESO Nova Scotia – this
15 proposed approach has jurisdictional precedent, reflects those services that IESO Nova Scotia is
16 currently carrying out under Phase 1 of its operations, is more easily implemented and updated,
17 and is easily understood.

18
19 IESO Nova Scotia will reevaluate the fee recovery mechanism once it is under Phase 2 steady state
20 operation, including consideration of whether tariffs under the OATT are appropriate for fee
21 recovery when ownership of the OATT and system operation and dispatch transfer to IESO Nova
22 Scotia.

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Billing Determinants

Having selected a direct charge as the proposed approach, the next step in developing the fee recovery mechanism is to choose the billing determinants. Billing determinants are the specific units of service consumption used to calculate charges and determine the units through which the revenue requirement is recovered from customers. Options for billing determinants included peak load (MW), energy consumption (MWh), and fixed charge (\$).

The use of peak load (MW) aligns with current OATT practices for transmission asset cost recovery because the major cost driver for the transmission system investment is generally considered to be the (coincident) peak load. As noted, IESO Nova Scotia does not have ownership of the OATT, nor does it carry-out system operation and dispatch functions at this time. Accordingly, the use of peak load as a billing determinant was not the best fit for IESO Nova Scotia at this time.

A charge based on energy consumption (MWh), also referred to as a volumetric charge, was the most common method among the benchmarking group identified by FTI in its Jurisdictional Report. It is generally regarded as a proportionate basis for allocating costs that do not have a clearly identifiable beneficiary or cost driver, such as inseparable ISO core costs. See Section 2 of Appendix 2 for more detail on the theory behind use of different billing determinants.

Fixed fees can be used to stabilize revenues for the ISO, which is especially useful in small systems. A fixed charge can be a flat membership fee or allocated based on forecast energy consumption (MWh). A charge proportionate to annual load was determined to be more acceptable

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1 than a fixed membership fee, which would not reflect each LSE's proportional size (as measured
2 by its share of system usage). The allocation of the revenue requirement can then be determined
3 by energy consumption (MWh) provided to IESO Nova Scotia by the LSEs.

4
5 The Proposed Mechanism uses a combination of a fixed charge and energy consumption as billing
6 determinants. It applies a fixed charge to LSEs, but the fixed charge is allocated based on the
7 proportional share of energy consumed (served) by each utility (MWh). The main reason to
8 introduce a fixed charge for energy consumption over a charge based on month-to-month metered
9 consumption (i.e. volumetric charge) is twofold: 1) revenue predictability for the ISO because the
10 forecast revenue requirement will be evenly and entirely recovered by the fee regardless of system
11 usage, and 2) revenue stability because the design provides a constant monthly cost recovery for
12 IESO Nova Scotia independent of seasonal variation in energy consumption. This better matches
13 the nature of the costs incurred by the ISO, which are generally fixed and evenly distributed
14 throughout the year. Furthermore, rather than gathering forecasted or actual load by month which
15 varies, this solution is less administratively burdensome for the LSEs who will have to provide
16 this information.

17 18 **3.5. Collection and True Up**

19 20 *True-Up Mechanism*

21 Most ISO tariff frameworks include true-up mechanisms to reconcile over- or under-recovery in
22 subsequent periods and to correct for differences between forecast versus actual costs and forecast
23 versus actual revenues collected.

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IESO Nova Scotia's Proposed Mechanism incorporates two mechanisms to account for over or under forecasting:

- First, it proposes a revenue true-up mechanism to allow recovery of the difference between IESO Nova Scotia's forecast revenue requirement versus actual costs.
- Second, it proposes a load actual allocation adjustment to account for annual actual load of LSEs.¹⁰

The load actual allocation adjustment does not affect the net quantum of revenue collected from all LSEs. However, it is implemented to ensure that the LSEs are paying IESO Nova Scotia a charge that reflects as accurately as possible each LSE's proportional share.

The revenue true-up mechanism will affect the overall quantum of revenue requirement, which will form the basis of fees collected from LSEs. It will be based on IESO Nova Scotia's Net Revenue Requirement Deferral and Variance Mechanism proposed for approval in its 2026/27 Revenue Requirement Application (M12633).

¹⁰ Because this is not a volumetric charge, recovery to the IESO will not vary with usage. However, the share of any market participant's usage (compared to other market participants) may vary from forecast, which would have the effect of varying the costs that ought to have been assigned to that market participant.

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4. IESO NOVA SCOTIA FEE RECOVERY MECHANISM

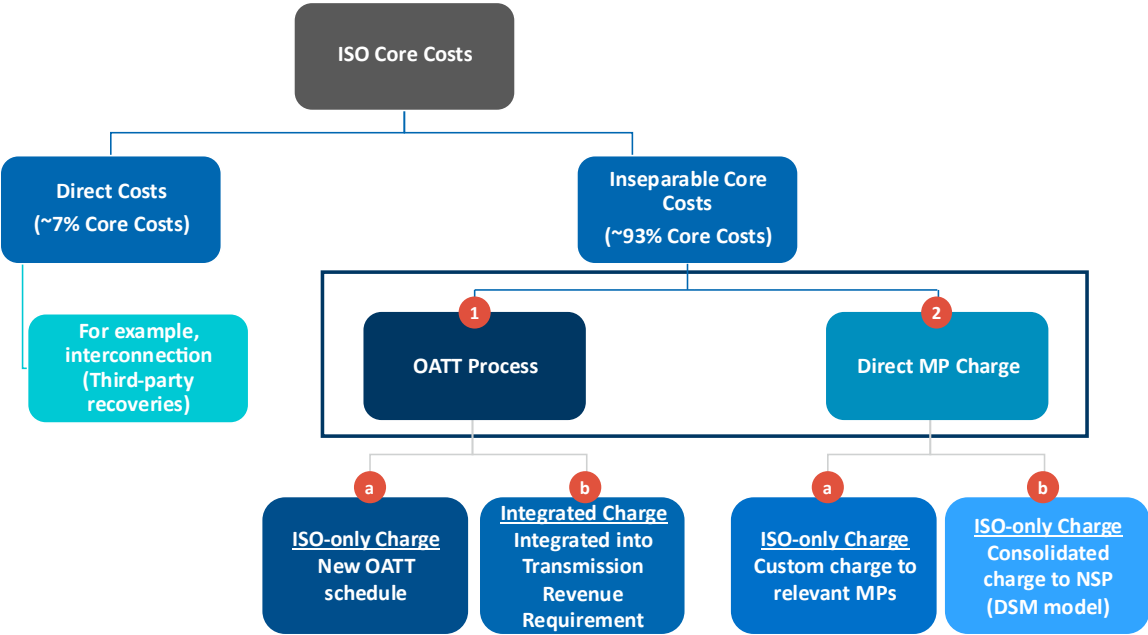
FTI's final recommendations on the Proposed Mechanism were grounded in the Jurisdictional Report, FTI's understanding of the electricity sector in Nova Scotia, and discussions with IESO Nova Scotia and its stakeholders. FTI's options analysis and the Proposed Mechanism are described in detail in FTI's recommendation report (the "FTI Report"). Please refer to Appendix 2 for a copy of the FTI Report. A summarization of the evaluation criteria applied by FTI in recommending the proposed option and the Proposed Mechanism is outlined in detail below. The Proposed Mechanism ultimately balances the needs of IESO Nova Scotia to have a steady cash flow through stable monthly fees, while creating administrative simplicity through reduced administrative coordination and information sharing burden on both NSPI and the Municipal utilities.

4.1. Option Evaluation

The recommended fixed direct charge, described in further detail in section 4.2 below, was chosen after considering several options and determining this design is best suited to the current state of IESO Nova Scotia and the Nova Scotia electricity market. Using the Jurisdictional Report, FTI was able to generalize the key features of potential fee recovery mechanisms and to develop a recommendation for a custom methodology for IESO Nova Scotia. FTI developed four options consisting of two tariff-based options and two direct charge options. A more detailed description of each option can be found in the FTI Report. The four options are summarized in a flow chart of IESO costs and recovery options in Figure 5 below.

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Figure 5: Flow of ISO Costs and Recovery Options



Source: FTI Analysis.

Notes: DSM = Demand Side Management.

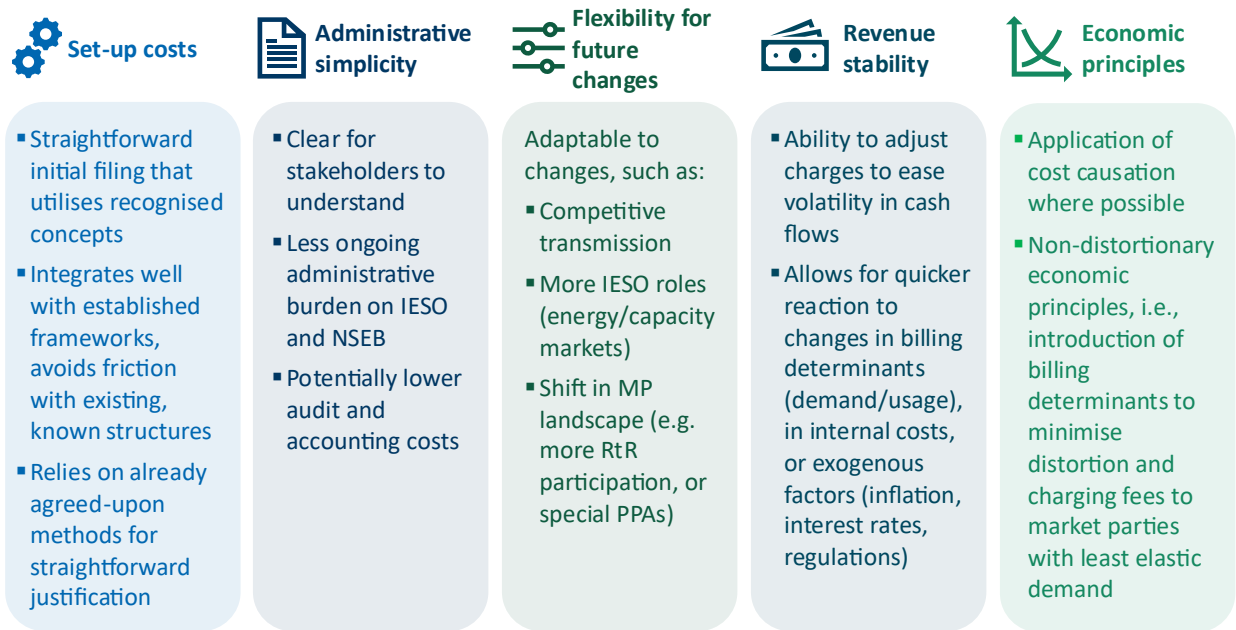
FTI ultimately recommended Option 2a: a direct custom charge to market participants.

Evaluation Criteria

Each of the options was evaluated using common criteria. Because the Jurisdictional Report identified that fee recovery mechanisms for ISOs vary by jurisdiction and do not follow a single predominant methodology, FTI developed and applied the evaluation criteria described in Figure 6 below.

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Figure 6 – Evaluation Criteria



Source: FTI Analysis.

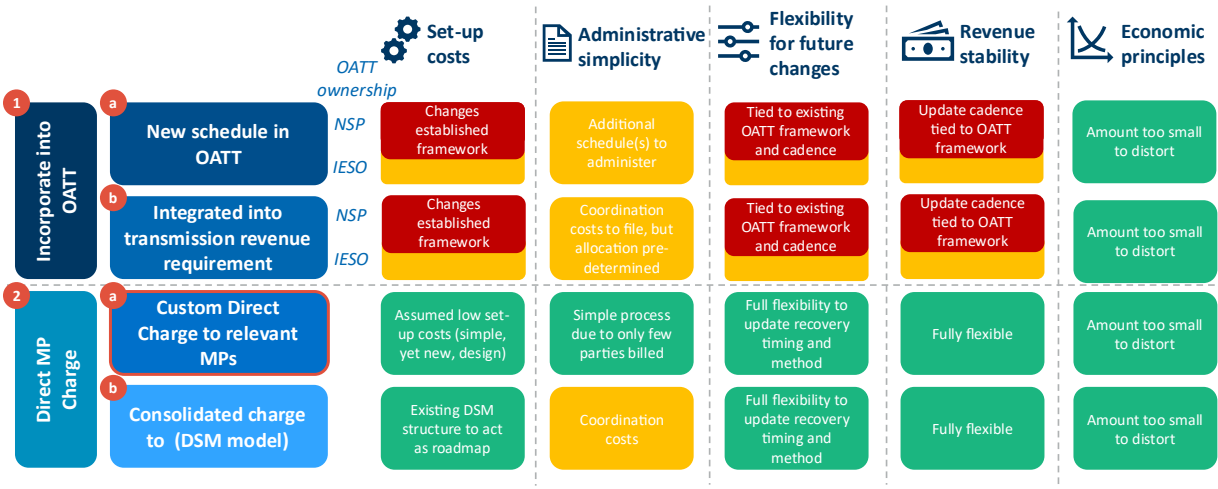
Note: PPA = Power Purchase Agreement, RtR = Renewable to Retail.

Overall, the goals of selecting a fee recovery mechanism were to select a model that minimized set-up costs, promoted administrative simplicity, and reserved flexibility for future changes. These were considered particularly important because IESO Nova Scotia is in the early stages of its mandate where revenue stability and ease of implementation are important factors. This evaluation took into consideration IESO Nova Scotia's current Phase 1 operations, services and mandate as described above – a fee recovery mechanism must be accordingly fit-for-purpose measured against these factors.

Each of the four options were evaluated using the criteria set by FTI. Ultimately, Option 2a best satisfied the five criteria. A summary of the options evaluation is shown in Figure 7 below.

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Figure 7 – Options Evaluation



Source: FTI Analysis.

IESO Nova Scotia has not yet transitioned to ‘Phase 2’ operation functions, meaning that it does not yet have operational control of the grid nor ownership of the OATT until certain sections of the MAEA are proclaimed in force. Therefore, a methodology that allows implementation by IESO Nova Scotia independent of the OATT, transmission revenue requirement process, or other administrative support from NSPI, was considered but ultimately ruled out. However, as noted, IESO Nova Scotia will reevaluate its fee recovery mechanism once it is under Phase 2 steady state operation, including consideration of whether tariffs under the OATT are more appropriate for fee recovery when ownership of the OATT and system operation and dispatch responsibilities transfer to IESO Nova Scotia.

a) Set-Up Costs

The Proposed Mechanism allows for minimal set-up costs because it allows for an initial filing for a relatively straightforward application using straightforward allocation methods (annual load) and

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1 clearly defined market participants (LSEs). This translates to lower set-up costs because less time
2 and overall administrative resources will be needed to produce the initial filing and set-up the
3 mechanism once approved (as explained in Figure 7 above). Unlike Options 1a and 1b, this model
4 does not require modification to the OATT or coordination with the transmission revenue
5 requirement, reducing the set-up costs.

b) Administrative Simplicity

6
7
8 The selected model avoids unnecessary administrative complexity. Overall administration of the
9 model is relatively straightforward, using a fixed monthly charge scaled on forecast load served.
10 The Proposed Mechanism avoids unnecessary complication because there is a single ISO-only
11 charge as opposed to a more complex schedule of new OATT charges. Unlike Options 1a and 1b,
12 it does not require complicated amendments to the OATT. The model is also clearer to understand
13 since it is allocated based on LSE's annual load share.

c) Flexibility for future changes

14
15
16 Because the Proposed Mechanism involves a direct charge by IESO Nova Scotia, is independent
17 of the OATT, and does not depend on administration by NSPI, the model is highly flexible for
18 future changes as the needs and mandate of IESO Nova Scotia evolve. Incorporating IESO Nova
19 Scotia's costs into the transmission revenue requirement under Option 1b would tie IESO Nova
20 Scotia to the OATT's rate design choices, rendering the model less flexible. Incorporating the
21 charge into the OATT under Option 1a would result in further dependencies on NSPI until such
22 time as Phase 2 of the transition is complete and IESO Nova Scotia retains ownership of the OATT.

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d) Revenue stability

The Proposed Mechanism provides revenue stability to IESO Nova Scotia because it is a fixed monthly charge (as opposed to a usage-based charge dependent on customer consumption). The load allocation adjustment and revenue true-up mechanisms also ensure complete recovery for IESO Nova Scotia within a one or two-year period, while simultaneously addressing the risk of over-recovery from market participants.

Options 1a and 1b rely on fees being incorporated into the OATT process and are consequently less favourable with respect to revenue stability for three main reasons. First, being a fixed charge ensures IESO Nova Scotia will recover its exact forecast revenue needs, insulating it from weather or other exogenous risk factors, unlike the OATT-based charge options which are tied to actual system peak or volumes. Second, the OATT-based options would require IESO Nova Scotia to project costs further into the future to align with the current OATT process, rendering them more vulnerable to under- or over-recovery due to budget variances. Third, the OATT-based options tie potential adjustments for revenue and load variances to those regulatory processes as opposed to being incorporated into IESO Nova Scotia's annual revenue requirement application, which would position IESO Nova Scotia on a stricter timeline to provide inputs in advance of the OATT process. This regulatory lag jeopardizes revenue stability compared to the Proposed Mechanism.

e) Economic principles

As there is no clearly identifiable beneficiary or cost driver for inseparable ISO core costs, it is not possible to establish a cost-causal allocation. Instead, the relevant economic principle is to minimize distortions when allocating these costs. FTI considers this criterion to be neutral in the

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present case, as the resulting charges are small relative to other cost components, such as energy production and transmission costs.

4.1.1. A Note on Option 2b

While Option 2b – Consolidated charge to NSPI, based on the E1 DSM model and NSPI's DSM Rider, is ranked nearly on par with the proposed Option 2a (as noted in Figure 9 and FTI's report), the E1 model of a consolidated DSM charge to NSPI is mandated under the Public Utilities Act and is lacking in ISO jurisdictional support. Moreover, opposition to this option was expressed by some stakeholders, including NSPI, during the stakeholder engagement process.

4.1.2. Conclusion

Overall, Option 2a is believed to be the most appropriate fee recovery mechanism for Nova Scotia considering the evaluation criteria applied and the current state of IESO Nova Scotia's Phase 1 operations. The Proposed Mechanism best achieves the evaluation criteria because it allows for a straightforward direct charge to Market Participants (LSEs) by IESO Nova Scotia, avoiding dependence on either (a) NSPI for administration of the charges or (b) the OATT regulatory processes. This model is also believed to be less administratively burdensome for the LSEs as it requires they only provide forecast and actual annual load served. Other models considered would have required IESO Nova Scotia's fees to form part of the OATT or be consolidated into a single charge to NSPI. Instead, the Proposed Mechanism allows for a fixed, direct charge by IESO Nova Scotia allocated on a commonly used billing determinant (MWh, annual load served), while keeping open the option to revisit an OATT-based methodology in Phase 2.

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4.2. The Proposed Fee Recovery Mechanism

The resulting Proposed Mechanism is based broadly on the following:

- A monthly charge based on IESO Nova Scotia's NSEB-approved revenue requirement
- Calculated by allocating IESO Nova Scotia's revenue requirement by the proportionate forecast load by each LSE in Nova Scotia
- Recovered monthly over the course of IESO Nova Scotia's 12-month fiscal year beginning April 1 and ending March 31
- With an annual true-up based on IESO Nova Scotia's actual costs and an allocation adjustment for actual annual load served by the LSEs

The monthly charge to MPs will be composed of three parts: a base allocation for that year's revenue requirement based on forecast load, a true-up for the variance between the forecast IESO revenue requirement and actual expenditures in a prior year, and an allocation adjustment for each LSE for the actual load served in that year.

Base Allocation

The base allocation to recover the IESO's revenue requirement for the current year will be derived from two key inputs: the IESO's forecast budget for the year and the forecast load of each LSE.

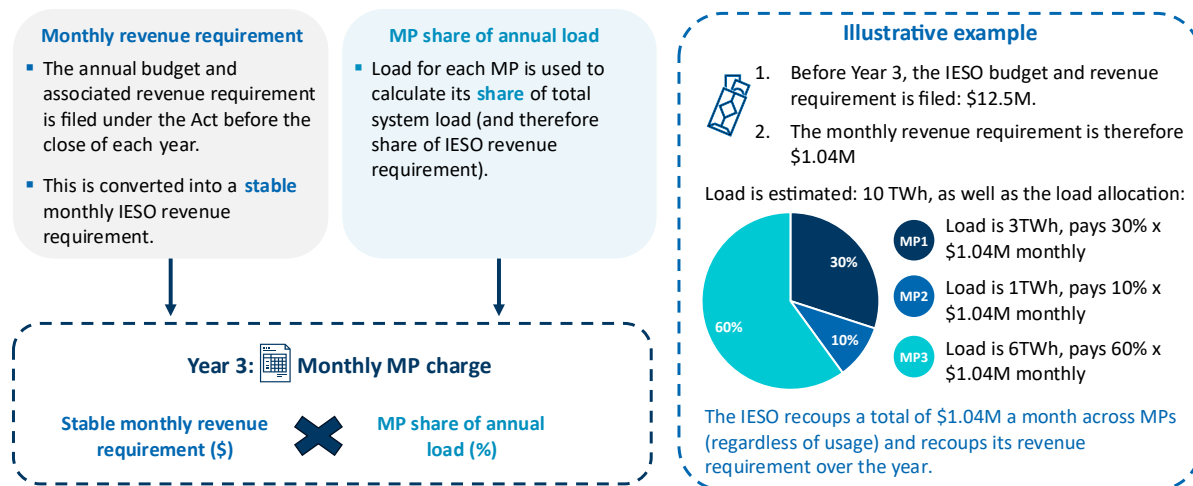
The base allocation representing the charge to LSEs will be based only on the Board-approved revenue requirement for any IESO Nova Scotia fiscal year. It will be allocated by the proportional forecast load of each LSE, which will be divided by 12 in order to determine the monthly charge

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payable by LSEs to IESO Nova Scotia.¹¹ Figure 8 below provides an illustrative example. As explained in the FTI Report, because the design includes allocation adjustments and true-ups that may take up to two years to go into effect, the figures focus on Year 3 as the example year.

As noted, IESO Nova Scotia has also identified a second true-up methodology based on a compliance filing for revenue requirement applications, which shortens the implementation of revenue requirement variances from FY1-FY3 to FY1-FY2 (or FY2-FY3, etc.). This option is explained in further detail in the true-up section below.

Figure 8 - Fixed custom charge mode of operation



Source: FTI Analysis.¹²

¹¹ In discussions with LSEs it is recognized that not all LSEs would have a detailed forward looking FY load forecast, and so based on the relatively stable load growth seen in the province that historic actuals from the most recent calendar or fiscal year would serve as a reasonable proxy, recognizing that fees will ultimately be trueed up based on actual loads.

¹² Amended from FTI report to suit the purpose of this application, but otherwise based on the FTI report information and graphics.

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Revenue Requirement True-up – Option 1

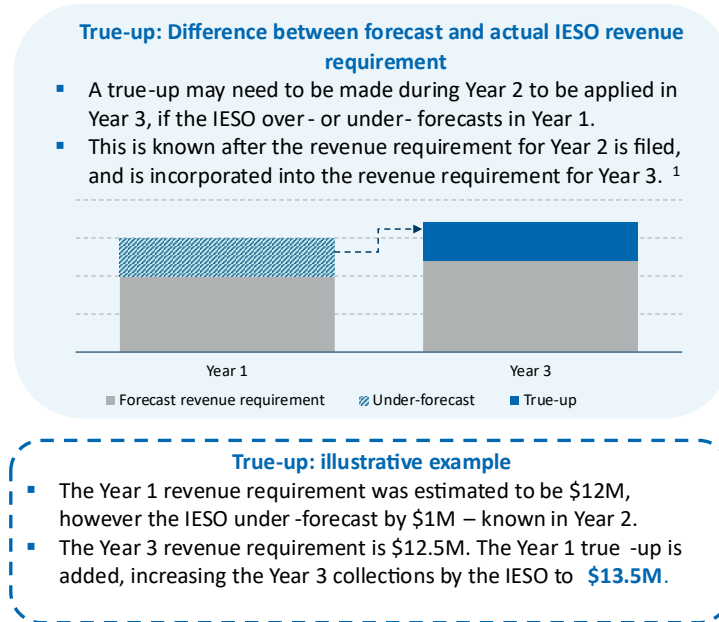
Given IESO Nova Scotia’s not-for-profit status, full recovery of actual costs incurred is essential to its fee recovery mechanism, as any under-recovery would directly impair its ability to carry out its activities under its MAEA legislative mandate and remain a going concern. To that end, the NSEB has previously approved a Net OM&A Deferral and Variance Account under M12412, and IESO Nova Scotia has proposed for Board approval a revised version of this account under M12663 entitled the Revenue Requirement Deferral and Variance Mechanism (DVM). The proposed DVM would be the basis on which revenue requirement actuals would be accounted for in the fee recovery mechanism revenue requirement true-up.

As described in IESO Nova Scotia’s 2026/27 Revenue Requirement application, the DVM accounts for Fiscal Year 1’s revenue requirement actuals in Fiscal Year 3’s revenue requirement application, as actuals for Fiscal Year 1 will not be known until after application of Fiscal Year 2’s revenue requirement has been filed. FTI’s Jurisdictional Report noted that this was a common cadence for timing of true-up mechanisms within the benchmarking group.

Figure 9 below provides an illustrative example of the revenue requirement true-up in practice.

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1 Figure 9 – Revenue Requirement True-Up Example



2

3 *Source: FTI Analysis.*¹³

4 *Notes: (1) Year 2 is not shown as it is not relevant to the Year 1 true-up.*

5

6 The example above contemplates under-recovery of revenue requirement, but the same
7 methodology would be applied for over-recovery of revenue requirement – the over-recovery of
8 fees in FY1 would be applied to the revenue requirement in FY3 by way of a reduction in the
9 overall fees to be collected from LSEs. In this way, LSEs and ultimately ratepayers are paying
10 only the actual costs of IESO Nova Scotia.

11

12 *Revenue Requirement True-up – Option 2*

13 During the stakeholder engagement process, feedback was received regarding truing-up revenue
14 requirement sooner than the FY1 to FY3 lag proposed in Option 1. Accordingly, IESO Nova

¹³ Amended from FTI report to suit the purpose of this application, but otherwise based on the FTI report information and graphics.

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Scotia developed a second and preferred true-up option which provides more timely true-ups and corresponding benefits to market participants and ratepayers for the NSEB and stakeholders' consideration.

As noted in this application, the revenue requirement true-up is based on the DVM which calculates revenue requirement variances for incorporation into future revenue requirement applications and associated fees to LSEs on a two-year lag. In other words, FY1 revenue requirement variances are calculated for inclusion in FY3 revenue requirement and fee applications.

This cadence of revenue requirement true-ups is common among ISOs as noted in FTI's jurisdictional research report. It necessarily means that under-recovery of IESO Nova Scotia's costs in FY1 will likely result in carrying-costs to fund the difference until they are accounted for in FY3, and that over-recovery of IESO Nova Scotia's costs will not be refunded to LSEs until FY3.

IESO Nova Scotia believes that it is possible that the two year lag between FY1 to FY3 implementation of revenue requirement variances can be lessened to one year through a compliance filing true-up option: over- or under-recovered amounts from FY1 for refund or recovery to market participants, respectively, is completed via a compliance filing by IESO Nova Scotia after a Board Decision is received for a FY2 revenue requirement application, adjusting fees to be collected from market participants in FY2.

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1 This second true-up methodology option is feasible under the assumption that NSEB decisions on
2 FY1 revenue requirement applications are not received until July, August or later, by which time
3 IESO Nova Scotia should have available audited financial statements for FY1 which will confirm
4 prior fiscal year actual spend.

5
6 The benefits of this compliance filing true-up methodology are two-fold:

- 7 • In the event of an over-recovery of IESO Nova Scotia's revenue requirement, the
8 corresponding refund is provided to LSEs earlier; and
- 9 • In the event of an under-recovery of IESO Nova Scotia's revenue requirement, the
10 corresponding earlier collection from LSEs reduces carrying-costs.

11
12 Accordingly, this is IESO Nova Scotia's preferred true-up methodology, as it provides direct
13 benefits to market participants and ultimately ratepayers sooner.

14
15 This compliance filing true-up methodology has the following necessary implications:

- 16 • It would require NSEB preliminary approval of the revenue requirement variances to be
17 refunded or collected in advance of a full prudency review, where applicable, which would
18 occur in the next revenue requirement application; and
- 19 • It would replace the revenue requirement true-up methodology option 1 as the true-up will
20 have already occurred via the compliance filing in advance of the next revenue requirement
21 application.

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For this fee recovery mechanism application, an illustrative example of both true-up methodology options is provided in Appendix 3 - Fee Calculation Model. The compliance filing option incorporates IESO Nova Scotia's unaudited financial statement under-spend of \$313,841¹⁴ effectively reducing the amounts owed by each market participant.

Load Allocation Adjustment

Given the Proposed Mechanism calculates its charges to LSEs based on their forecast proportional load served to Nova Scotia customers, a load allocation adjustment each year will be required in order to ensure that each LSE is paying only their proportional share as accurately as possible. A load allocation adjustment will be made each year based on each LSE's fiscal year load served actuals. This will require LSEs to provide their actual load served data to IESO Nova Scotia within 60 days of the end of each fiscal year to complete this adjustment.

Annual Filing Framework

In practice, the revenue requirement true-up and load allocation adjustment combined would flow as follows in a typical revenue requirement application filed in December (FY3 for True-up Option 1 and FY2 for True-up Option 2):

- Base Revenue Requirement Fees:
 - FY's forecast revenue requirement allocated to each LSE based on the forecast load served in the FY;

¹⁴ As provided in IESO Nova Scotia's response to Undertaking U-5 in M12663.

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- True-up:

- Option 1: The delta between IESO Nova Scotia's Board-approved forecast revenue requirement and actual expenditures from FY1 are calculated by the DVM, to determine the true-up amount in FY3.
- Option 2: The delta between IESO Nova Scotia's Board-approved forecast revenue requirement and actual expenditures from FY1 are calculated by the DVM, to determine the true-up amount in FY2 via compliance filing.
- The true-up amount, whether an under- or over-recovery, is allocated to LSEs based on actual FY1 loads in both cases.

- Load Allocation:

- FY1 fees that were calculated with forecast LSE-level FY1 loads are recalculated with actual LSE-level FY1 loads.
- The delta between the FY1 fees charged to each LSE in FY1 and the recalculated FY1 fees that reflect actual FY1 load for each LSE is the load allocation adjustment calculated for each LSE.

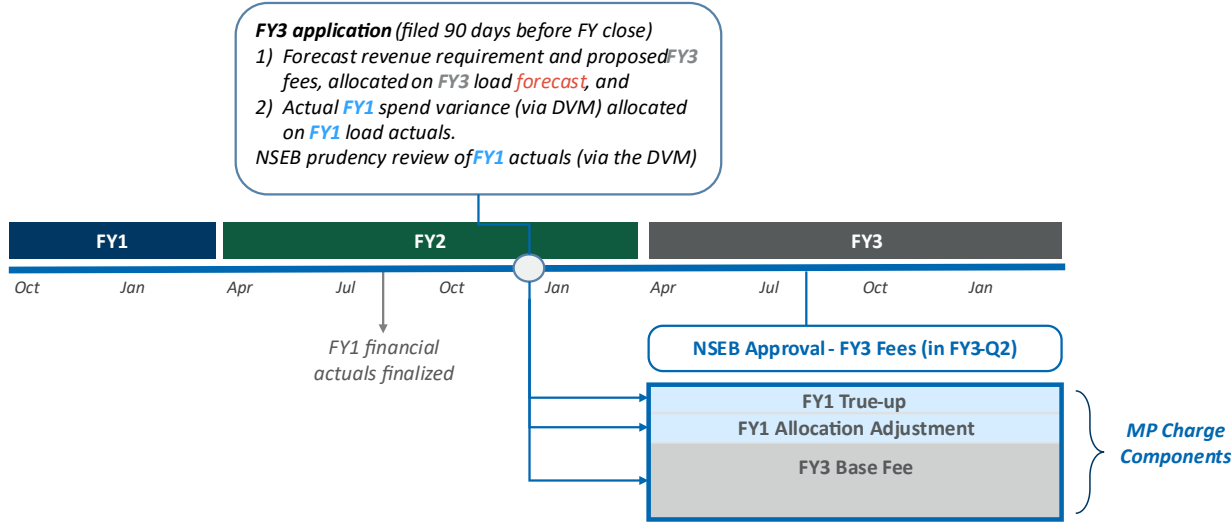
In the revenue requirement application True-up Option 1, the true-up and load allocation deltas are attributed to each LSE by adding to or subtracting from the LSE's allocation of the FY3 forecasted revenue requirement to determine the FY3 fees. The cadence of the various inputs and filings under Option 1 are shown in Figures 10 and 11 below.

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Figure 10: Option 1 – Simple Timeline of Filings and Inputs

OPTION 1  DEFERRED TRUE-UP	Year	FY1	FY2	FY3
	 Revenue Requirement	●		
	 Collect Fees	●		
	 FY1 Actuals Known		●	
	 Adjust FY1 Variance			●
	 Refund/Recovery			●

Figure 11: Option 1 – Detailed Timeline of Filings and Inputs



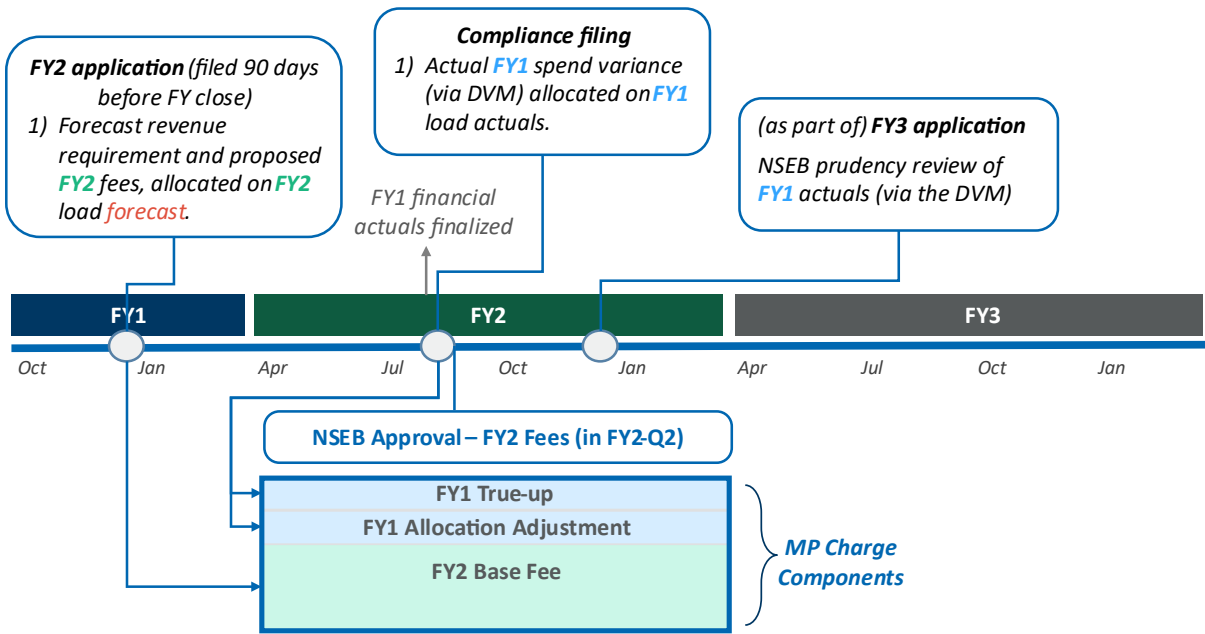
For the compliance filing True-Up Option 2, the true-up and load allocation deltas are attributed to each LSE by adding to or subtracting from the LSE’s allocation of the FY2 forecasted revenue requirement to determine the FY2 fees. The cadence of the various inputs and filings under Option 2 are shown in Figures 12 and 13 below.

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Figure 12: Option 2 – Simple Timeline of Filings and Inputs

OPTION 2		Year	FY1	FY2	FY3
 EARLIER COMPLIANCE & TRUE-UP	\$	Revenue Requirement	●		
		Collect Fees	●		
		FY1 Actuals Known		●	
		Compliance Filing		●	
		Adjust FY1 Variance		●	
		Refund/Recovery		●	

Figure 13: Option 2 – Detailed Timeline of Filings and Inputs



For this application, IESO Nova Scotia has used actual load in 2025 to allocate the 2025/26 revenue requirement and forecast 2026 loads to allocate the 2026/27 revenue requirement for LSEs to determine the fee allocation as a one-time measure given timing of this application. The IESO is amenable to using the most recent actual loads in place of forecast loads for the MEUs to reduce administrative burden for the MEUs going forward. The IESO may update MEU forecast loads as

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- 1 part of a compliance filing if more recent actual data is provided by the MEUs that was not
- 2 available at the time of the revenue requirement application.

3

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5. FEE CALCULATION AND MODEL

Power Advisory was engaged by IESO Nova Scotia to create a model for the calculation of its fees to the LSEs, and the corresponding annual revenue true-up mechanism and load allocation adjustment, based on the Proposed Mechanism. Please refer to Appendix 3 for Power Advisory's Fee Calculation Model.

As noted in the preceding section, the Proposed Mechanism bases its fees on Board-approved IESO Nova Scotia annual revenue requirements, which are then allocated by each LSE's proportionate forecast load served in Nova Scotia. A true-up for the variance between forecast and actual revenue requirements from a prior year load allocation adjustment to reflect actual volumes from a prior year are applied to the current year base fees.

Annual allocations are calculated by dividing each LSE's annual consumption volume by the sum of the annual consumption volumes of all LSEs. This calculation produces the percent shares of the revenue requirement that are allocated to LSEs.

An LSE's base fee is calculated by multiplying the LSE's current year forecast percent allocation by the forecast revenue requirement.

$$(1) \quad \frac{FY \text{ LSE Base Fee}}{FY \text{ Forecast Revenue Requirement}}^{15} = \frac{FY \text{ Forecast LSE Consumption Volumes}^{16}}{FY \text{ Forecast Total Consumption Volumes of all LSEs}}$$

¹⁵ Subject to subsequent NSEB approval of the revenue requirement amount.

¹⁶ As stated previously in the Application, CY forecast or actuals may be used as a proxy where requested and appropriate under the circumstances.

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The true-up is calculated by multiplying the revenue requirement variance from a prior year by the actual percent allocation in that year.

$$(2) \quad \frac{\text{Prior FY LSE True - Up}}{\text{True - Up}} = \left(\frac{\text{Actual Prior FY Revenue Req.}}{-\text{Forecast Prior FY Revenue Req.}} \right) \times \frac{\text{Actual Prior FY LSE Volumes}}{\text{Actual Prior FY Total Volumes of all LSEs}}$$

The load allocation adjustment is calculated by multiplying the forecast revenue requirement from a prior year by the actual percent allocation in that year, and subtracting the original base fee that was charged to the LSE in that year.

$$(3) \quad \frac{\text{Prior FY LSE Load Allocation Adjustment}}{\text{Allocation Adjustment}} = \left(\frac{\text{Forecast Prior FY Revenue Req.}}{\text{Revenue Req.}} \times \frac{\text{Actual Prior FY LSE Volumes}}{\text{Actual Prior FY Total Volumes of all LSEs}} \right) - \frac{\text{Prior FY Base Fee}}{\text{Base Fee}}$$

The LSE's total annual fee is the sum of the base fee, the true-up from a prior year, and the load allocation adjustment from the prior year.

$$(4) \quad \text{FY LSE Annual Fee} = \frac{\text{FY LSE Base Fee}}{\text{Base Fee}} + \frac{\text{Prior FY LSE True - Up}}{\text{True - Up}} + \frac{\text{Prior FY LSE Load Allocation Adjustment}}{\text{Allocation Adjustment}}$$

The annual fee is further divided by 12 to obtain corresponding monthly fee.

$$(5) \quad \text{FY LSE Monthly Fee} = \text{FY LSE Annual Fee} \div 12 \text{ months}$$

The model is set up to perform this calculation annually based on all relevant inputs.

For the purpose of this application, the fees for IESO Nova Scotia's combined 2025/26 and 2026/27 revenue requirement that remain to be collected have been calculated. The Fee Calculation Model determined the remaining fees proposed to be collected from LSEs based on the following assumptions:

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- 1 • NSEB approval of IESO Nova Scotia’s full 2026/27 Revenue Requirement as applied for
- 2 under M12663
- 3 • An NSEB approved effective start date of fee payment under this application of December
- 4 1, 2026
- 5 • Interim fee payments from NSPI in the amount \$950,000/mo from February to November
- 6 2026
- 7 • Full payment of IESO Nova Scotia’s 25-27 combined revenue requirement completed in
- 8 March 2027, the end of IESO Nova Scotia’s 2026/2027 fiscal year¹⁷

9

10 Charges due to be paid for each month from December 2026 to March 2027, based on True-Up

11 Option 1 via future revenue requirement application, are as follows:

- 12 • NSPI = \$2,591,500
- 13 • Berwick Electric Commission = \$18,785
- 14 • Riverport Electric Light Commission = \$4,483
- 15 • Town of Mahone Bay = \$6,882
- 16 • Town of Antigonish = \$42,587

17

18 Figure 14 below is pulled from the Fee Calculation Model and provides a snapshot of the general

19 calculation of the various charges to the LSEs without 2025/26 variance true-up.

¹⁷ Under True-Up Option 1 the 25/26 and 26/27 variances would be dealt with at a later date. Under True-up Option 2 the 25/26 variance is dealt with now and the 26/27 variance remains to be trued-up at a later date.

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Figure 14 – Calculation of Remaining 2025/26 and 2026/27 Revenue Requirement Fees by LSE

	Annual Fee						
	2025/26			2026/27			Total
Total Revenue Requirement	\$5,306,824			\$14,850,121			\$ 20,156,945
Market Participant	MWh	%	Annual Fee	MWh	%	Annual Fee	Annual Fee
NSPI	10,634,708	98.57%	\$ 5,230,798	10,525,592	98.55%	\$ 14,635,202	\$ 19,866,000
Berwick Electric Commission	39,919	0.37%	\$ 19,634	39,919	0.37%	\$ 55,504	\$ 75,139
Riverport Electric Light Commission	9,526	0.09%	\$ 4,685	9,526	0.09%	\$ 13,245	\$ 17,930
Town of Mahone Bay	14,625	0.14%	\$ 7,194	14,625	0.14%	\$ 20,336	\$ 27,529
Town of Antigonish	90,500	0.84%	\$ 44,513	90,500	0.85%	\$ 125,834	\$ 170,347
Total	10,789,277	100%	\$ 5,306,824	10,680,161	100%	\$ 14,850,121	\$ 20,156,945

Market Participant	Total 2025/26 and 2026/27 Revenue Calculation			Total Monthly Fee	
	Total Fees (2025/26 + 2026/27)	Interim Fee Recovered before Implementation: Feb-2026 to Nov-2026	Total Unrecovered Fees	# Months of Revenue Collection	Monthly Fees
NSPI	\$ 19,866,000	\$ 9,500,000	\$ 10,366,000	4	\$ 2,591,500
Berwick Electric Commission	\$ 75,139		\$ 75,139	4	\$ 18,785
Riverport Electric Light Commission	\$ 17,930		\$ 17,930	4	\$ 4,483
Town of Mahone Bay	\$ 27,529		\$ 27,529	4	\$ 6,882
Town of Antigonish	\$ 170,347		\$ 170,347	4	\$ 42,587
Total	\$ 20,156,945	\$ 9,500,000	\$ 10,656,945	4	\$ 2,664,236

Charges due to be paid for each month from December 2026 to March 2027, based on True-Up Option 2 via compliance filing, are as follows:

- NSPI = \$2,514,164
- Berwick Electric Commission = \$18,494
- Riverport Electric Light Commission = \$4,413
- Town of Mahone Bay = \$6,776
- Town of Antigonish = \$41,929

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Figure 15 below is pulled from the Fee Calculation Model and provides a snapshot of the general calculation of the various charges to the LSEs with the 2025/26 variance true-up.

Figure 15 - Monthly Fees with 2025/26 True-Up by Compliance Filing

Market Participant	Total 2025/26 and 2026/27 Revenue Calculation			2025/26 True-Up			Total Monthly Fee	
	Total Fees (2025/26 + 2026/27)	Interim Fee Recovered before Implementation: Feb-2026 to Nov-2026	Total Unrecovered Fees	2025/26 Allocation	2025/26 True- Up	Total Unrecovered Fees with 2025/26 True-Up	# Months of Revenue Collection	Monthly Fees
NSPI	\$ 19,866,000	\$ 9,500,000	\$ 10,366,000	98.57%	-\$ 309,345	\$ 10,056,655	4	\$ 2,514,164
Berwick Electric Commission	\$ 75,139		\$ 75,139	0.37%	-\$ 1,161	\$ 73,977	4	\$ 18,494
Riverport Electric Light Commission	\$ 17,930		\$ 17,930	0.09%	-\$ 277	\$ 17,653	4	\$ 4,413
Town of Mahone Bay	\$ 27,529		\$ 27,529	0.14%	-\$ 425	\$ 27,104	4	\$ 6,776
Town of Antigonish	\$ 170,347		\$ 170,347	0.84%	-\$ 2,632	\$ 167,715	4	\$ 41,929
Total	\$ 20,156,945	\$ 9,500,000	\$ 10,656,945	100.00%	-\$ 313,841	\$ 10,343,104	4	\$ 2,585,776

The model also provides tabs for both revenue true-up mechanism options and load allocation adjustment applicable to fees in future fiscal year. The model is capable of adjustments to any aspect of the fee calculation inputs and assumptions, including the timeframe over which fees may be spread, and the potential impact, if any, on additional financing costs. Going forward, the calculation of the IESO Nova Scotia fees to be charged to LSEs will be conducted annually as part of its revenue requirement and fees applications, basing the calculation on the upcoming fiscal year's revenue requirement and any load allocation adjustments and revenue true-ups from prior years as applicable.

Section 29(3) of the MAEA notes that “Until the Energy Board approves the proposed expenditure and revenue requirements for the fiscal year and the fees the IESO proposes to charge during the fiscal year, the fees approved for the previous fiscal year remain in effect unless the Energy Board orders otherwise.” In the event the NSEB does not approve new fees for fiscal year 2027/28 based on IESO Nova Scotia’s forthcoming 2027/28 Revenue Requirement and Fees application by March 31, 2027, IESO Nova Scotia believes that the reasonable approach is a continuation of fees in accordance with Section 29(3) based on IESO Nova Scotia’s proposed 2026/27 revenue

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requirement of \$14,850,121, and what those fees would be over a 12 month period allocated to the LSEs. The Model calculates those fees as shows in Figure 16 below:

Figure 16 – Continuation of Fees to LSEs Post March 31, 2027

Market Participant	Total Monthly Fee Calculation		
	Proposed Annual Fee 2026/27	# Months of Revenue Collection	Monthly Fees
NSPI	\$ 14,635,202	12	\$ 1,219,600
Berwick Electric Commission	\$ 55,504	12	\$ 4,625
Riverport Electric Light Commission	\$ 13,245	12	\$ 1,104
Town of Mahone Bay	\$ 20,336	12	\$ 1,695
Town of Antigonish	\$ 125,834	12	\$ 10,486
Total	\$ 14,850,121	12	\$ 1,237,510

The Model also calculates those fees based on the 2025/26 variance true-up under the compliance filing true-up methodology as shown in Figure 17 below.

Figure 17 - Continuation of Fees to LSEs Post March 31, 2027 with 2025/26 True-Up

Market Participant	Total Monthly Fee Calculation				
	Proposed Annual Fee 2026/27 Before True-Up	2025/26 True-Up	Proposed Annual Fee 2026/27 with True-Up	# Months of Revenue Collection	Monthly Fees
NSPI	\$ 14,635,202	-\$ 309,345	\$ 14,325,857	12	\$ 1,193,821
Berwick Electric Commission	\$ 55,504	-\$ 1,161	\$ 54,343	12	\$ 4,529
Riverport Electric Light Commission	\$ 13,245	-\$ 277	\$ 12,968	12	\$ 1,081
Town of Mahone Bay	\$ 20,336	-\$ 425	\$ 19,910	12	\$ 1,659
Town of Antigonish	\$ 125,834	-\$ 2,632	\$ 123,202	12	\$ 10,267
Total	\$ 14,850,121	-\$ 313,841	\$ 14,536,280	12	\$ 1,211,357

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6. REQUEST OF THE NSEB

IESO Nova Scotia respectfully requests that the Board approve:

1. The Proposed Mechanism, including the applicable market participants and the billing determinants, as the fee recovery mechanism to be used by IESO Nova Scotia in collecting its revenue requirement and, specifically, a fixed monthly charge to LSEs based on their proportion of actual load served, with an annual revenue true up and load allocation adjustment;
2. The monthly fee amount to be charged to each LSE, exclusive of applicable taxes, as follows:
 - NSPI = \$2,591,500
 - Berwick Electric Commission = \$18,785
 - Riverport Electric Light Commission = \$4,483
 - Town of Mahone Bay = \$6,882
 - Town of Antigonish = \$42,587

Or the monthly fee amount with the 2025/26 variance true-up to be confirmed via compliance filing to this application, exclusive of applicable taxes, as follows:

- NSPI = \$2,514,164
- Berwick Electric Commission = \$18,494
- Riverport Electric Light Commission = \$4,413
- Town of Mahone Bay = \$6,776

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- Town of Antigonish = \$41,929

3. An effective date of December 1, 2026, or as soon as the Board's decision may reasonably permit, and an end date of March 31, 2027; and
4. The proposed regulatory approach of applying for annual approval of (a) fees to be charged for the next fiscal year, (b) revenue true ups for the prior fiscal year, and (c) load allocation adjustments based on the prior fiscal year as part of IESO Nova Scotia's annual revenue requirement application under section 29(1) of the MAEA.
5. Continuation of fees post March 31, 2027 as noted in Figures 12 or 13 above, in accordance with section 29(3) of the MAEA, in the event NSEB approval is not received by that time for fees sought in IESO Nova Scotia's forthcoming 2027/28 Revenue Requirement and Fees application.

IESO Nova Scotia further applies to the NSEB for Orders, on or before December 1, 2026:

- 1) Directing the LSEs noted above to begin paying, no later than December 31, 2026, monthly payments to IESO Nova Scotia in the amount described above, exclusive of applicable taxes, with such payments being made effective December 1, 2026.
- 2) Confirming that such monthly payments shall continue until March 31, 2027.
- 3) Discontinuation of the temporary financial relief arrangement approved by NSEB Order of February 26, 2026 as of the Board-approved effective date of the proposed fee recovery mechanism.

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1 IESO Nova Scotia notes that should assumptions related to the calculation of the fee change over
2 the course of the proceeding, at the request of IESO Nova Scotia or as directed by the Board in its
3 Decision, such as the timing of the effective date or end date of fee payments, then a compliance
4 filing with a recalculation will address those assumptions. If the NSEB declines the relief sought
5 in this application, IESO Nova Scotia looks forward to the Board's recommendations for its
6 consideration pursuant to s.29 of the MAEA.

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7. CONCLUSION

IESO Nova Scotia respectfully submits that the Proposed Mechanism is fair, reasonable, and appropriate for approval. It provides a practical and necessary means of recovering IESO Nova Scotia's Board-approved revenue requirement from the market participants that serve load in Nova Scotia, consistent with IESO Nova Scotia's statutory mandate under subsection 29(1) of the MAEA and its not-for-profit status, while reflecting IESO Nova Scotia's current mandate and stage of operational development.

The proposed fixed monthly direct charge to LSEs, allocated by proportionate annual load served, balances revenue stability, administrative simplicity, fairness among market participants, and flexibility for future evolution. The annual load allocation adjustment and revenue true-up mechanism further ensure that LSEs, and ultimately ratepayers, pay amounts that reflect actual load served and actual IESO Nova Scotia costs over time. While outside the purview of this application, this fee recovery mechanism provides freedom to the LSEs on how they collect corresponding costs from their ratepayers, as it does not prescribe nor is determinative of how LSEs allocate those costs. IESO Nova Scotia – in the interest of all ratepayers – encourages the NSEB and the LSEs to facilitate recovery of fees paid by LSEs, under the Proposed Mechanism, from ratepayers in an expedient and fair manner consistent with applicable regulatory processes.

IESO Nova Scotia therefore requests that the Board approve the Proposed Mechanism, the monthly fees set out in this Application (the specific amount of each dependent on the approval of either true-up option 1 or 2), the proposed December 1, 2026 effective date or such other date as the Board's decision reasonably permits, payment terms requiring LSEs to remit monthly fees

IESO Nova Scotia – Fee Recovery Mechanism Application

- 1 within 30 days of invoicing by IESO Nova Scotia, and the related annual approval process for
- 2 future fees, true-ups, and allocation adjustments.