

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 1

Reference: IESO Nova Scotia fee recovery mechanism application (page 4 of 48)

Independent Energy System Operator of Nova Scotia (“IESO Nova Scotia”) states the following:

“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”).”

Please provide the costs/revenue requirement allocated to each of IESO Nova Scotia’s core activities, i.e., system planning, energy resource procurement, interconnection, and other relevant functions. Please separate the direct allocation of costs to these activities, and the indirect/overhead costs.

Response IR - 1

Costs/revenue requirements for each of IESO Nova Scotia’s core activities were enumerated in IESO Nova Scotia’s 2026/2027 Revenue Requirement application (M12663), and represented broadly in Table 1:

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Table 1: Summary of OM&A Costs

OM&A Cost Category	Total OM&A Costs (\$)(Millions)	Transition Costs (\$) (Millions)	Ongoing O&MA Costs (\$) (Millions)
Employees (Administration)	4.44	0.00	4.44
Corporate Administrative	0.26	0.00	0.26
Governance	0.49	0.00	0.49
Legal and Regulatory	1.15	0.00	1.15
Procurement	0.89	0.00	0.89
Facilities and Technology	1.56	0.00	1.56
Finance	0.65	0.00	0.65
Transition and Operational Planning	1.77	1.77	0.00
Operations (System Planning)	3.64	0.00	3.64
Total OM&A Expenses	14.85	1.77	13.08

17

18 Direct costs for system planning and interconnection work are included in the Operations

19 (System Planning) Cost Category.

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(Nova Scotia Energy Board M13007)

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Requests

NON-CONFIDENTIAL

20 Exhibit B-2 Page 30

21 Table 15

Cost Category	Ongoing OM&A Budget (\$)
Operations (System Planning)	3.64M
Salaries and Wages for Technical Staff	3.71M
Third Party Recoveries	(1.07M)
Integrated Resource Planning Consulting Fees	1.0M

22

23 Overhead costs related to these activities include a portion of the costs listed in the cost categories
24 shown in Exhibit B-1, Page 9, Table 1. A portion of these costs is allocated and recovered through
25 direct billing of interconnection customers which is shown In Table 15 as Third Party Recoveries
26 of \$1.07M.

27

28 Please refer to LEI IR-3 for direct costs.

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Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
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Request IR - 2

Reference: IESO Nova Scotia – Fee Recovery Mechanism Progress Update (letter dated July 6, 2026)

IESO Nova Scotia states the following:

“...Progress to date includes the following:

- ***On May 5, 2026, FTI’s report on its jurisdictional scan of ISO fee recovery mechanisms was provided to stakeholders.***
- ***On May 13, 2026, a presentation slide-deck regarding FTI’s jurisdictional report was provided to stakeholders.***
- ***On May 14, 2026, IESO Nova Scotia held a group stakeholder engagement session to review FTI’s jurisdictional findings.***
- ***On May 26, 2026, IESO Nova Scotia responded to stakeholder feedback by email regarding FTI’s jurisdictional report and presentation.***
- ***On June 16, 2026, a presentation slide-deck regarding FTI’s proposed fee recovery mechanism and analysis was provided to stakeholders.***
- ***On June 18, 2026, IESO Nova Scotia held a group stakeholder engagement session to review FTI’s proposed fee recovery mechanism and analysis.***
- ***On June 24, 2026, IESO Nova Scotia distributed a draft form of settlement agreement to stakeholders for discussion.***
- ***On July 2, 2026, stakeholders provided feedback on the proposed fee recovery mechanism.”***

Please provide copies of the following documents:

- a) Feedback received from stakeholders in the group stakeholder engagement session (May 14, 2026);
- b) IESO Nova Scotia’s response to stakeholder feedback by email (May 26, 2026);

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

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- 26 c) Feedback received from stakeholders in the group stakeholder engagement session (June
27 18, 2026);
- 28 d) Draft form of settlement agreement distributed to stakeholders for discussion (June 24,
29 2026); and
- 30 e) Stakeholder feedback received on the proposed fee recovery mechanism (July 2, 2026).
- 31

32 **Response IR - 2**

33

- 34 a) Feedback from stakeholders during that session was verbal and not recorded. However,
35 feedback was received in writing and responded to by IESO Nova Scotia; please refer to
36 part b).
- 37 b) Please refer to Attachment 1.
- 38 c) Feedback from stakeholders during that session was verbal and not recorded. However,
39 feedback was received in writing and responded to by IESO Nova Scotia; please refer to
40 part e) below.
- 41 d) Please refer to Attachment 2.
- 42 e) Please refer to Attachment 3, which also includes IESO Nova Scotia's responses to
43 stakeholder feedback.



RE: [External]RE: Jurisdictional Scan Workshop

From Mark Peachey </O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=E118103A169948FEAB8CBCC7810317C5-9A4A01BD-94>

Date Tue 2026-05-26 1:02 PM

To Rebekah L. Powell <rpowell@blackburnlaw.ca>; Karlie MacPherson <Karlie.MacPherson@ieso-ns.ca>; Willett, Michael <MICHAEL.WILLETT@nspower.ca>; Thurber, Leigh-Anne <Leigh-Anne.Thurber@novascotia.ca>; David Luther <david.luther@ieso-ns.ca>; Chris Milligan <chris.milligan@ieso-ns.ca>; Johnny Johnston <johnny.johnston@ieso-ns.ca>; Mike McFeters <mike.mcfeters@ieso-ns.ca>; Olivia McMackin <olivia.mcmackin@ieso-ns.ca>; Bill Mahody <bill@washingtonmahody.com>; Pronko, Steve <steve.pronko@novascotia.ca>; David Roberts <droboterts@pinklarkin.com>; Michael Murphy <mmurphy@pinklarkin.com>; Melissa MacAdam <mmacadam@blackburnlaw.ca>; David Miller <david.miller@nsieso.ca>; Craig, Peter T <peter.t.craig@novascotia.ca>; James Gogan <james.gogan@mcinnescooper.com>; Gina Thompson <gthompson@efficiencys.ca>; Kate McDonald <kmcdonald@efficiencys.ca>; Nancy Rubin <nrubin@stewartmckelvey.com>; Brianne Rudderham <brudderham@stewartmckelvey.com>; MacDuff, James <james.macduff@mcinnescooper.com>; Melanie Gillis <melanie.gillis@mcinnescooper.com>; David MacDougall <david.macdougall@mcinnescooper.com>; Jennifer Power, NSPI <jennifer.power@nspower.ca>; Blake Williams <blake.williams@nspower.ca>; Daniel Roscoe, P.Eng <dan@roswall.ca>; Lucia.westineastaugh@mcinnescooper.com <lucia.westineastaugh@mcinnescooper.com>; mpike@pinklarkin.com <mpike@pinklarkin.com>; Mann, Jason <Jason.Mann@fticonsulting.com>; Schittekatte, Tim <Tim.Schittekatte@fticonsulting.com>; Victoria Lorvig <Victoria.Lorvig@fticonsulting.com>; Byers, Conleigh <conleigh.byers@fticonsulting.com>; John Esaiw <john.esaiw@porthawkesburypaper.com>

Hi Rebekah – Thank you for your questions. Please see our responses below. Looking forward to further engagement in the near future.

Mark

1. In the jurisdictional scan, did FTI Consulting note what occurred in the event that an IESO incurred costs that were later deemed imprudent or where an overspend occurred that was not subsequently approved by the Board?

FTI has not considered effects of overspend and a regulator deeming costs incurred imprudent in other jurisdictions as this is not relevant for the specifics of the mechanism to recover revenue requirements.

2. Based on the jurisdictional scan, did FTI Consulting confirm what are the benefits or reasons for using an all-energy (per unit) charge vs a demand (capacity) / energy split charge?

This is in scope and will be addressed in FTI's fee recovery mechanism recommendation.

3. Does the number of larger vs smaller customer types (NSPI vs independent parties vs municipals) to be billed lead to a preferred rate design and cost allocation?

This is in scope and will be addressed in FTI 's fee recovery mechanism recommendation.

4. How did FTI Consulting and IESO-NS confirm that directly charging the "more specific costs " mentioned on page 13 would be "low relative to other costs "?

FTI based this on experience from other jurisdictions plus an assessment of the likely volume of requests from market participants for these services relative to the overall scale of activity conducted by the IESO. The examples provided on page 13 include "for certain system impact and facilities studies ". In IESO NS ' case, the budget for the reimbursement of those costs are already accounted for in the IESO 's 2026/27 revenue requirement application under "Operations (System Planning) " and "Third Party Recoveries ".

5. Did FTI Consulting evaluate the stakeholder forum or process necessary to provide market participants (MPs), do they include customer representatives like the SBA and how does this impact the timeline for obtaining approval of new rates?

This is outside the scope of FTI 's work. For IESO Nova Scotia, the regulatory approval process for revenue requirement and fees is mandated by the MAEA. Once a revenue requirement and fees application is submitted to the NSEB by the IESO, the Board will establish a hearing timeline in the usual course which includes opportunities for stakeholder intervention, review, and input.

6. As FTI 's report mentions on page 15 and Figure 4, does IESO-NS expect to need to recover its "core costs " through a separate charge or a "network " fee and if so, why?

This is in scope and will be addressed in FTI 's fee recovery mechanism recommendation.

7. Did IESO-NS or FTI Consulting confirm whether the ISOs included in the jurisdictional scan charge any penalties for non-performance or non-payment?

FTI has not considered effects of potential penalties or non-payment, as this is not relevant for the specifics of the mechanism to recover revenue requirements.

From: Rebekah L. Powell <rpowell@blackburnlaw.ca >

Sent: May 21, 2026 3:46 PM

To: Karlie MacPherson <karlie.macpherson@ieso-ns.ca >; Willett, Michael <MICHAEL.WILLETT@nspower.ca >; Thurber, Leigh-Anne <Leigh-Anne.Thurber@novascotia.ca >; Mark Peachey <Mark.Peachey@ieso-ns.ca >; David Luther <david.luther@ieso-ns.ca >; Chris Milligan <chris.milligan@ieso-ns.ca >; Johnny Johnston <johnny.johnston@ieso-ns.ca >; Mike McFeters <mike.mcfeters@ieso-ns.ca >; Olivia McMackin <olivia.mcmackin@ieso-ns.ca >; Bill Mahody <bill@washingtonmahody.com >; Pronko, Steve <steve.pronko@novascotia.ca >; David Roberts <droboterts@pinklarkin.com >; Michael Murphy <mmurphy@pinklarkin.com >; Melissa MacAdam <mmacadam@blackburnlaw.ca >; David Miller <david.miller@nsieso.ca >; Craig, Peter T <peter.t.craig@novascotia.ca >; James Gogan <james.gogan@mcinnescooper.com >; Gina Thompson <gthompson@efficiencysns.ca >; Kate McDonald <kmcdonald@efficiencysns.ca >; Nancy Rubin <nrubin@stewartmckelvey.com >; Brianne Rudderham <brudderham@stewartmckelvey.com >; MacDuff, James <james.macduff@mcinnescooper.com >; Melanie Gillis <melanie.gillis@mcinnescooper.com >; David MacDougall <david.macdougall@mcinnescooper.com >; Jennifer Power, NSPI <jennifer.power@nspower.ca >; Blake Williams <blake.williams@nspower.ca >; Daniel Roscoe, P.Eng <dan@roswall.ca >; Lucia Westineastaugh <lucia.westineastaugh@mcinnescooper.com >; mpik@pinklarkin.com; Mann, Jason <Jason.Mann@fticonsulting.com >; Schittekatte, Tim <Tim.Schittekatte@fticonsulting.com >; Victoria Lorvig <Victoria.Lorvig@fticonsulting.com >; Byers, Conleigh <conleigh.byers@fticonsulting.com >; John Esaiw <john.esaiw@porthawkesburypaper.com >

Subject: [External]RE: Jurisdictional Scan Workshop

*****Exercise Caution - This is an external email - Beware of links or attachments from external sources. If you are unsure, click 'Report Phishing/Report Junk' to submit for review.*****

Good afternoon Karlie,

On behalf of Melissa MacAdam, the Small Business Advocate, thank you for the opportunity to provide feedback/comments on FTI 's Jurisdictional scan.

Please see below:

1. In the jurisdictional scan, did FTI Consulting note what occurred in the event that an IESO incurred costs that were later deemed imprudent or where an overspend occurred that was not subsequently approved by the Board?
2. Based on the jurisdictional scan, did FTI Consulting confirm what are the benefits or reasons for using an all-energy (per unit) charge vs a demand (capacity) / energy split charge?
3. Does the number of larger vs smaller customer types (NSPI vs independent parties vs municipals) to be billed lead to a preferred rate design and cost allocation?
4. How did FTI Consulting and IESO-NS confirm that directly charging the "more specific costs" mentioned on page 13 would be "low relative to other costs"?
5. Did FTI Consulting evaluate the stakeholder forum or process necessary to provide market participants (MPs), do they include customer representatives like the SBA and how does this impact the timeline for obtaining approval of new rates?
6. As FTI 's report mentions on page 15 and Figure 4, does IESO-NS expect to need to recover its "core costs" through a separate charge or a "network" fee and if so, why?
7. Did IESO-NS or FTI Consulting confirm whether the ISOs included in the jurisdictional scan charge any penalties for non-performance or non-payment?

Thank you.

My best,

Rebekah.

Rebekah L. Powell

Lawyer (she/her)

BLACKBURN LAW INC.

Suite 231, Bedford House, Sunnyside Mall

1595 Bedford Highway, Bedford, NS B4A 3Y4

Tel: (902) 835-8544 Fax: (902) 835-4310

Email: rpowell@blackburnlaw.ca Web: www.blackburnlaw.ca

Office Hours: Monday to Friday, from 8:30 am to 4:30 pm



Blackburn Law Inc.

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From: Karlie MacPherson <karlie.macpherson@ieso-ns.ca>

Sent: May 14, 2026 2:57 PM

To: Willett, Michael <MICHAEL.WILLETT@nspower.ca>; Thurber, Leigh-Anne <Leigh-Anne.Thurber@novascotia.ca>; Mark Peachey <Mark.Peachey@ieso-ns.ca>; David Luther <david.luther@ieso-ns.ca>; Chris Milligan <chris.milligan@ieso-ns.ca>; Johnny Johnston <johnny.johnston@ieso-ns.ca>; Mike McFeters <mike.mcfeters@ieso-ns.ca>; Olivia McMackin <olivia.mcmackin@ieso-ns.ca>; Bill Mahody <bill@washingtonmahody.com>; Pronko, Steve <steve.pronko@novascotia.ca>; David Roberts <droberts@pinklarkin.com>; Michael Murphy <mmurphy@pinklarkin.com>; Melissa MacAdam <mmacadam@blackburnlaw.ca>; Rebekah L. Powell <rpowell@blackburnlaw.ca>; David Miller <david.miller@nsieso.ca>; Craig, Peter T <peter.t.craig@novascotia.ca>; James Gogan <james.gogan@mcinnescooper.com>; Gina Thompson <gthompson@efficiencyns.ca>; Kate McDonald <kmcdonald@efficiencyns.ca>; Nancy Rubin <nrubin@stewartmckelvey.com>; Brianne Rudderham <brudderham@stewartmckelvey.com>; MacDuff, James <james.macduff@mcinnescooper.com>; Melanie Gillis <melanie.gillis@mcinnescooper.com>; David MacDougall <david.macdougall@mcinnescooper.com>; Jennifer Power, NSPI <jennifer.power@nspower.ca>; Blake Williams <blake.williams@nspower.ca>; Daniel Roscoe, P.Eng <dan@roswall.ca>; lucia.westineastaugh@mcinnescooper.com; mpike@pinklarkin.com; Mann, Jason <Jason.Mann@fticonsulting.com>; Schittekatte, Tim <Tim.Schittekatte@fticonsulting.com>; Victoria Lorvig <Victoria.Lorvig@fticonsulting.com>; Byers, Conleigh <conleigh.byers@fticonsulting.com>; John Esaiw <john.esaiw@porthawkesburypaper.com>

Subject: Re: Jurisdictional Scan Workshop

Hi everyone,

Thank you for attending today. For anyone who would like to bring forward comments on the jurisdictional scan, please reach out by **Thursday, May 21, 2026**.

Enjoy the upcoming long weekend.

Kindly,

Karlie

From: Karlie MacPherson

Sent: May 7, 2026 1:20 PM

To: Mark Peachey <Mark.Peachey@ieso-ns.ca>; David Luther <david.luther@ieso-ns.ca>; Chris Milligan <chris.milligan@ieso-ns.ca>; Johnny Johnston <johnny.johnston@ieso-ns.ca>; Mike McFeters <mike.mcfeters@ieso-ns.ca>; Olivia McMackin <olivia.mcmackin@ieso-ns.ca>; Bill Mahody <bill@washingtonmahody.com>; Pronko, Steve <steve.pronko@novascotia.ca>; David Roberts <droberts@pinklarkin.com>; Michael Murphy <mmurphy@pinklarkin.com>; Melissa MacAdam <mmacadam@blackburnlaw.ca>; Rebekah Powell <rpowell@blackburnlaw.ca>; David Miller <david.miller@nsieso.ca>; Craig, Peter T <peter.t.craig@novascotia.ca>; James Gogan <james.gogan@mcinnescooper.com>; Gina Thompson <gthompson@efficiencyns.ca>; Kate McDonald <kmcdonald@efficiencyns.ca>; Nancy Rubin <nrubin@stewartmckelvey.com>; Brianne Rudderham

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Cc: Thurber, Leigh-Anne <Leigh-Anne.Thurber@novascotia.ca>; Willett, Michael

<MICHAEL.WILLETT@nspower.ca>

Subject: Jurisdictional Scan Workshop

When: May 14, 2026 12:30 PM-2:30 PM.

Where: Microsoft Teams Meeting

Hi all,

Following up on my email sent May 5, please join IESO Nova Scotia and FTI Consulting for a discussion on the completed jurisdictional scan regarding ISO cost recovery mechanisms. We welcome you to join virtually or at our office located at 1791 Barrington Street, Halifax, NS.

Materials will be circulated in the coming days. If you plan to join in person, please let me know.

Warm regards,

Karlie

Microsoft Teams meeting

Join: <https://teams.microsoft.com/meet/245338598436625?p=DLAy4lkexw3OhSrSUT>

Meeting ID: 245 338 598 436 625

Passcode: qF6p2Mr3

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For organizers: [Meeting options](#)

Nova Scotia Independent Energy System Operator

Fee Recovery Mechanism Settlement Agreement

Nova Scotia Energy Board

IN THE MATTER OF AN APPLICATION by NOVA SCOTIA INDEPENDENT ENERGY
SYSTEM OPERATOR for approval of a fee recovery mechanism

SETTLEMENT AGREEMENT

WHEREAS

- A. The Nova Scotia Independent Energy System Operator (IESO NS), along with [PARTIES TO SETTLEMENT], (collectively the “Stakeholders”, who along with IESO NS are referred to herein as the “Parties”) have engaged in a collaborative process to reach consensus on a cost recovery mechanism for IESO NS.
- B. This collaborative process included multiple stakeholder meetings and the sharing of information that led to IESO NS providing the Stakeholders with a proposed Fee Recovery Mechanism Application (“Draft Fee Recovery Application”).

- C. The Draft Fee Recovery Application includes a copy of the application (main evidence), the fee recovery mechanism report of FTI, and fee calculation model.
- D. Following the provision of applicable materials, the Parties participated in several rounds of settlement meetings.

NOW THEREFORE, the Parties agree as follows:

1. The Parties have reached an agreement on the fee recovery mechanism that will result from the Fee Recovery Mechanism Application as represented by the terms set out in Schedule “A” attached hereto (“Settlement Agreement”). The Parties acknowledge that IESO NS will be filing its Fee Recovery Mechanism Application in all other respects consistent with the terms of the Settlement Agreement.
2. IESO NS will file the Fee Recovery Mechanism Application with the Nova Scotia Energy Board (“Board” or “NSEB”) in a manner consistent with this Settlement Agreement. The Stakeholders reserve the right to ask Information Requests and file evidence in the event the filed Fee Recovery Mechanism Application is materially inconsistent with this Settlement Agreement.
3. The Fee Recovery Mechanism Application will include a copy of the Settlement Agreement and an overview of the collaborative process that the Parties have undertaken and a mutually agreed-upon expression of their support for the outcomes of the Fee Recovery Mechanism Application. If requested by the Board, the Stakeholders will also provide their own written expression of their support for the outcomes of the Fee Recovery Mechanism Application.

4. The Parties understand that time is of the essence, and they will use best efforts to facilitate the filing of the Fee Recovery Mechanism Application in a timely manner.
5. The Parties agree to the terms set out in Schedule “A” to resolve the matters at issue for the Fee Recovery Mechanism Application and without prejudice to any position that may be taken by any Party in any future regulatory proceeding.
6. This Settlement Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and when taken together shall be deemed to be one and the same instrument. The electronic delivery, including, without limitation, by email, of any signed original of this Settlement Agreement shall be the same as the delivery of an original.

NOVA SCOTIA INDEPENDENT ENERGY SYSTEM OPERATOR

CONSUMER ADVOCATE _____ Per:	SMALL BUSINESS ADVOCATE _____ Per:
NOVA SCOTIA POWER INC.	MUNICIPAL ELECTRIC UTILITIES

 Per:	 Per:
PORT HAWKESBURY PAPER Per:	INDUSTRIAL GROUP Per:
[OTHER PARTES]	[OTHER PARTES]

Schedule “A”

Terms of Settlement

IESO Fee Recovery Mechanism Element	Settlement Terms
Overall Methodology	The Parties agree to the methodology of the fee recovery mechanism in principle. That is: • fees will be calculated based on IESO NS’s NSEB-approved revenue requirement • fees will be applied to applicable market participants • fees will be apportioned to applicable market participants based on their proportional load served in Nova Scotia. • fees will take the form of amounts charged directly to applicable market participants on a monthly basis
Fee Calculation	The Parties agree to the fee recovery calculation methodology and amount. The calculation takes IESO NS’s NSEB-approved revenue requirement, divides it by the proportional load served by each applicable market participant, which is further divided by 12 to reach the monthly fee charged to each. [TBD: the specific fee calculation model and fee amount will be provided in the near future.]
Applicable Market Participants	At this time, the Parties agree that the market participants to whom IESO NS’s fees are applicable are defined as load serving entities and are as follows: • Nova Scotia Power Inc.

	• Town of Berwick Electric Commission • Town of Mahone Bay • Town of Antigonish • Riverport Electric Light
Future Market Participants	The Parties agree that the identified market participants are not static and subject to update in future years. In particular, Renewable to Retail (RtR) Licensed Retail Suppliers (LRS) will be subject to IESO NS fees in future as they classify as load serving entities. Charging of IESO NS fees to RtR LRSs will occur once they are confirmed to be in-service and providing electricity to their customers. Recovery of IESO NS fees from RtR LRSs will be applied for retroactively in the event RtR LRSs begin delivering electricity to their customers in a prior fiscal year in which they were not charged.
Recovery of Costs from Ratepayers	The Parties agree that market participants to whom IESO NS fees are charged are responsible for their own cost recovery mechanism from ratepayers. Notwithstanding, IESO NS will reasonably assist in providing applicable market participants information that may assist in their allocation of IESO NS costs to ratepayers.
Term of Fee Recovery	The Parties agree that the term for recovery of IESO NS's NSEB approved 25/26 and 26/27 revenue requirement will be from the Board approval date of the fee recovery mechanism to March 31, 2027, or in accordance with a recovery timeframe agreed upon with an applicable market participant for a period ending no later than December 31, 2027.

Annual Application and True-up	The Parties agree that IESO NS will apply for recovery of its fees going forward via its annual revenue requirement and fees applications, and that true-ups will occur via the same. True-ups will be based on two components: IESO NS's actual costs as compared to its NSEB-approved revenue requirement, and actual LSE load served versus forecast load.
Future Fee Recovery Mechanism Updates	IESO NS agrees to reexamine the fee recovery mechanism based on its evaluation of the fee recovery mechanism in practice on an annual basis as appropriate. IESO NS further agrees to reexamine the fee recovery mechanism as appropriate based on material developments in its operations and the electricity market, such as IESO NS taking ownership of the Open Access Transmission Tariffs (OATT) and the operation and dispatch of the NS bulk electricity system.

IESO Fee Recovery Mechanism - Stakeholder Feedback Responses

Topic	Stakeholder	Comment	IESO Response
Bill Determinant	IG	1. FTI recommends a direct charge to market participants, proportional to each MP's forecasted share of system load and frames this as the "most common" and "simplest" design. The IG is still considering the alternative of fixed or peak-demand (MW) charges, which are arguably more appropriate from a cost-causation standpoint. We note the concern raised at the May conference about the potential impact of different billing determinants (MWh versus MW-peak) on transmission-connected customers. Any approach that results in large industrial customers bearing a disproportionate share of IESO costs relative to their system impact would not be appropriate.	The IESO's charge to market participants is not determinative of how those costs will be passed onto ratepayers. In the proposed fee recovery model, the IESO is charging a flat fee (or fixed charge) to Load Serving Entities based on their proportional load served in Nova Scotia. Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated. However, the determination of how costs are allocated to ratepayers will be at the discretion of NSPI and the Municipalities.
Cost Allocation	IG	4. We request that: a) NSPI (or IESO with explicit agreement with NSPI) be required, contemporaneously with the IESO's formal application, to set out the proposed approach for allocating and recovering IESO charges from its customer classes b) the IESO's application include an estimate of the rate impact per customer class; and c) how pre-existing NSPSO costs (transferred employees, salaries, overheads) were treated before the IESO was created are addressed, so that ratepayers can assess whether there is any cost duplication.	Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated. However, the determination of how costs are allocated to ratepayers will be at the discretion of NSPI and the Municipalities.

Cost Allocation to Munis	Municipal Electric Utilities	the MEUs are most interested in regulatory efficiency and are hoping to avoid circumstances in which they are required to be actively involved in multiple cost allocation/true-up proceedings (and the potential for multiple riders) for IESO-related costs. If there is to be an energy-based allocation among market participants at the outset, would the MEUs be allocated costs by NS Power as an NS Power customer as well? If so, what mechanisms would be in place to ensure the MEUs are not being double-charged on account of their dual roles as both a market participant and customer of another load-serving entity? To answer these questions, there likely needs to be a clear understanding of how NS Power proposes to allocate costs to customers as part of the process before the MEUs could determine whether they support a specific IESO fee recovery mechanism.	The IESO's proposed fee recovery mechanism is to charge Load Serving Entities the IESO's costs independently based on their proportional load served in Nova Scotia. IESO assumes that associated costs that were previously incurred by NSPI and passed on to its customers are correspondingly removed from NSPI's various rates and riders. The IESO agrees that clarity from NSPI on this issue would be helpful.
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Cost Allocation to Munis	NSPI	The MEUs' concern regarding how costs will be allocated in such a circumstance is a reasonable concern, but it is one that is unnecessary if costs are apportioned between market participants and those costs are then recovered from customers based on the respective participant's relevant cost of service.	The IESO's proposed fee recovery mechanism is to charge Load Serving Entities the IESO's costs independently, based on their proportional load served in Nova Scotia. Under this model, NSPI is not collecting costs from other market participants.
Cost Allocation to Ratepayers	PHP	PHP's principal concern is on how the costs chargeable to Nova Scotia Power ("NSP") are ultimately charged through and collected by NSP from its customer classes. In that regard PHP believes it is necessary that any filing for a permanent fee recovery mechanism by IESO Nova Scotia makes clear that the billing determinates used by the IESO to charge NSP are in no way determinative of the ultimate manner of collection of the IESO charges that NSP will collect from its customers.	The IESO's charge to market participants is not determinative of how those costs will be passed onto ratepayers. Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated. However, the determination of how costs are allocated to ratepayers will be at the discretion of NSPI and the Municipalities.
Cost Allocation to Ratepayers	PHP	In fact, it would appear that the most appropriate approach would be for NSP to put forward its planned approach for collection of the IESO charges from its customers contemporaneous with the IESO's application.	The IESO is providing NSPI some assistance with respect to suggested cost allocation, but is otherwise not in control of when NSPI might put forward its planned approach for ratepayer recovery.

Cost Allocation to Ratepayers	PHP	At a minimum it would be useful for NSP to indicate how the IESO costs referable to NSP's already transferred employees and functions (salaries, overheads, etc.) were treated prior to the creation of the IESO. Hopefully that information could be provided in fairly short order.	Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated.
Cost Allocation to Ratepayers	CA	We would also be interested to understand how the costs charged to NSP will be allocated amongst customers – would they intend to use the same allocation currently used for the NSP System Operator, or will it change? This should be addressed through the Application process.	Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated. The determination of how costs are allocated to ratepayers will be at the discretion of NSPI and the Municipalities.
Cost Allocation to Ratepayers	IG	2. The billing determinants used by the IESO to charge NSPI and MEUs (and LRSs) must not be treated as determinative of the way NSPI (or any other MP) then allocates those charges to its customer classes. There has been no analysis filed of the customer class rate impact of the proposed mechanism, which we view as a significant gap.	The IESO's charge to market participants is not determinative of how those costs will be passed onto ratepayers. Power Advisory has prepared indicative NSPI rate class impact modelling based on how the IESO's costs were previously allocated to ratepayers when the IESO's current functions were performed by NSPI. The IESO suggests that its costs be similarly allocated. However, the determination of how costs are allocated to ratepayers will be at the discretion of NSPI and the Municipalities.

Definition of Market Participant	IG	5. As was raised at the May conference, the definition of "market participant" and "load-serving entity" remains to be confirmed.	As noted in FTI's presentations provided to stakeholders, market participant is not universally defined. However, based on FTI's jurisdictional scan, market participants may include load serving entities, transmission owners, intertie traders, generators, etc. Load-serving entities are a sub-set of market participants, and are the most common market participants charged fees by IESO's jurisdictionally. Load-serving entities are typically electricity utilities which pass their costs directly onto end-users (i.e. ratepayers), such as NSPI, the Municipal Electric Utilities, and eventually Renewable to Retail Licenced Retail Suppliers.
Efficiency One Model	NSPI	NS Power should not be expected to collect costs from other market participants. There is no basis to impose third party costs on NS Power and, even if there were, it would serve to add an additional regulatory step.	The IESO's proposed fee recovery mechanism is to charge Load Serving Entities the IESO's costs independently, based on their proportional load served in Nova Scotia. Under this model, NSPI is not collecting costs from other market participants.
Efficiency One Model	IG	6. Considering the independence of the IESO, the Industrial Group does not believe NSPI should act as a single collector and re-allocator on behalf of all market participants.	The IESO's proposed fee recovery mechanism is to charge Load Serving Entities the IESO's costs independently, based on their proportional load served in Nova Scotia. Under this model, NSPI is not collecting costs from other market participants.

Energy Procurement Costs	IG	9. As confirmed during the M12663 hearing, the proposed cost mechanism is being advanced solely under section 29 of the More Access to Energy Act and no section 30 costs (energy resource supply contracts) have been incurred or recovered to date. The IG will be looking for IESO NS to develop and publish, ahead of the formal application, a clear internal policy delineating which costs will be recovered under section 29 versus section 30. This is particularly important as the fast-acting generation and capacity procurement and the NB Power RIGS Tolling Agreement proceed toward section 30 recovery, and it remains unclear how each of these costs will be tracked and recovered.	IESO costs that are eligible for recovery under the fee recovery mechanism are only those approved by the NSEB under s.29 revenue requirement applications. Questions regarding the appropriateness of costs for inclusion under s.29 are best dealt with in those associated application proceedings.
Energy Procurement Costs	IG	10. The IG further notes the issue with respect to the “procurement costs” including within the revenue requirement which is proposed to be recovered through this fee mechanism, and the suggestion that these costs will be reimbursed by the successful proponent through the procurement process. IESO should clarify why these costs would be recovered through this mechanism, and how the true up of the refunded costs would be recorded and allocated to MPs and, ultimately, customers.	IESO costs that are eligible for recovery under the fee recovery mechanism are only those approved by the NSEB under s.29 revenue requirement applications. Questions regarding the appropriateness of costs for inclusion under s.29 are best dealt with in those associated application proceedings.

Future Fee Recovery Mechanism	NSPI	whatever mechanism is to be used should be one that reflects or demonstrates appropriate consideration of the potential future state as contemplated by the <i>More Access to Energy Act</i> .	The IESO agrees with this in principle. As noted in the draft form of settlement agreement provided to stakeholders, the IESO agrees to reexamine the fee recovery mechanism based on its evaluation of the fee recovery mechanism in practice on an annual basis as appropriate. IESO NS further agrees to reexamine the fee recovery mechanism as appropriate based on material developments in its operations and the electricity market, such as IESO NS taking ownership of the Open Access Transmission Tariffs (OATT) and the operation and dispatch of the NS bulk electricity system.
Future Fee Recovery Mechanism	IG	11. The presentation notes that if the IESO comes to own the OATT after Phase 2 (system dispatch), the option to integrate IESO costs into the OATT could be re-evaluated. The current revenue requirement is relatively modest (~\$12M). The IG believes that any future integration into the OATT, or expansion of the MP base, should be a new proceeding rather than an administrative amendment.	The IESO agrees with this in principle. As noted in the draft form of settlement agreement provided to stakeholders, the IESO agrees to reexamine the fee recovery mechanism based on its evaluation of the fee recovery mechanism in practice on an annual basis as appropriate. IESO NS further agrees to reexamine the fee recovery mechanism as appropriate based on material developments in its operations and the electricity market, such as IESO NS taking ownership of the Open Access Transmission Tariffs (OATT) and the operation and dispatch of the NS bulk electricity system.

Renewable to Retail	IG	3. While IESO-NS has indicated that it has not yet taken into consideration the impact of REI entering the market later in 2026, the Industrial Group states that this ought to be at least contemplated as part of the application and the methodology and able to be easily addressed without another regulatory filing.	The IESO agrees with this in principle. As noted in the draft form of settlement agreement provided to stakeholders, the IESO agrees that the identified market participants are not static and subject to update in future years. In particular, Renewable to Retail (RtR) Licensed Retail Suppliers (LRS) will be subject to IESO NS fees in future as they classify as load serving entities. Charging of IESO NS fees to RtR LRSs will occur once they are confirmed to be in-service and providing electricity to their customers. Recovery of IESO NS fees from RtR LRSs will be applied for retroactively in the event RtR LRSs begin delivering electricity to their customers in a prior fiscal year in which they were not charged.
Revenue Requirement	IG	8. We also note several unresolved issues from the M12663 proceeding that must be addressed in the permanent mechanism application: a) Prudency review framework: the application must confirm that cost category-level prudency review will apply, consistent with the Board's direction in Matter M12412, and cannot be diluted to a total-budget comparison; b) Accounting policies and guidelines: the detailed mechanics of the deferral account must be documented and filed before the mechanism is approved — the Board expressly noted the absence of this documentation; and c) Transmission Tariff at s. 79: clarity is required for how this mechanism interacts with the forthcoming transmission tariff. d) Carrying costs: the mechanism for calculating and crediting interest on deferral account balances must be clearly specified	The issues with respect to prudency review and accounting policies and guidelines are being dealt with under matters M12412 and M12663, the NSEB's IESO revenue requirement applications proceedings. With respect specifically to s.79 of the MAEA, the IESO notes that that sections 75 to 85 under the "Transmission and Ancillary Services" section of the MAEA have yet to be proclaimed, but the IESO interprets MAEA sections 75 to 88 as pertaining in part to tariffs under the Open Access Transmission Tariff (OATT). As noted elsewhere, the IESO agrees to reexamine the fee recovery mechanism as appropriate based on material developments in its operations and the electricity market, such as IESO NS taking ownership of the OATT and the operation and dispatch of the NS bulk electricity system.

Separation of IESO Costs	NSPI	Regarding the mechanism itself, NS Power strongly believes that whatever recovery mechanism is used, it is in customers' best interests for that mechanism to result in a very clear distinction between electric utility costs and IESO costs. This means that the recovery mechanism should not be part of NS Power's general rates and should be a separate and distinct application where it is clear to customers what these costs relate to.	The IESO agrees in principle. Any IESO costs passed onto market participants via its fee recovery mechanism will first be approved by the NSEB via MAEA s.29 revenue requirement applications, distinctly describing those costs that the IESO projects to incur. To that end, going forward, fee recovery requests for approval will be included in the IESO's revenue requirement applications. How NSPI then passes those costs onto its customer base is up to NSPI, but as noted elsewhere the IESO suggests a ratepayer allocation consistent with how the same costs were allocated by NSPI when those costs were previously incurred by NSPI.
Separation of IESO Costs	SBA	it will be important in the interest of transparency for any type of fee recovery cost to be clearly set out, separate and apart from any NSPI charges, on NSPI invoices. This is especially important if IESO's fees will change mid-year, whereas NSP's run the calendar year.	The IESO agrees in principle. Any IESO costs passed onto market participants via its fee recovery mechanism will first be approved by the NSEB via MAEA s.29 revenue requirement applications, distinctly describing those costs that the IESO projects to incur. To that end, going forward, fee recovery requests for approval will be included in the IESO's revenue requirement applications. How NSPI then passes those costs onto its customer base is up to NSPI, but as noted elsewhere the IESO suggests a ratepayer allocation consistent with how the same costs were allocated by NSPI when those costs were previously incurred by NSPI.

True-Ups	CA	This approach does highlight the importance of ensuring that IESO's revenue requirement and load forecasting is accurate and transparent, to ensure costs are appropriately incurred and fairly allocated amongst customers. With that in mind, and subject to further consultation and review, one possible improvement would be to apply the true-up mid-year, so there would be a budget-based rate change on January 1 and then a true-up change on July 1. The advantage of that would be avoiding the accumulation of over- or under-recovery and might be able to avoid stretching things out to a Year 3;	At this stage the IESO is proposing an annual true-up for both the IESO's costs (forecast v. actual) and Load-Serving Entities' load (forecast v. actual). However, the IESO suggests that, should material changes in costs expected/experienced by the IESO or load as reported by the LSEs occur, that the IESO consider whether a mid-year true-up is appropriate as an optional remedy to avoid large year-end true-ups.
True-Ups	IG	7. Regarding the true-up and deferral, the FTI June 16 presentation clarifies that the true-up for IESO overspend in Year 1 is incorporated into the Year 3 revenue requirement and allocated based on Year 2 forecast usage. The adjustment charge (Year 2) reconciles load share differences between forecast and actual. The proposal relies heavily on forecasted load shares and retrospective adjustments and multi-year true-ups. The Industrial Group views some merit to the CA's suggestion of applying a true-up mid-year (a budget-based rate change on January 1 and a true-up adjustment on July 1) which would reduce the accumulation of over or under-recovery and may avoid the need to stretch adjustments over three years. Ultimately, however, how and when these true-ups flow through to ultimate consumers is still an unknown.	At this stage the IESO is proposing an annual true-up for both the IESO's costs (forecast v. actual) and Load-Serving Entities' load (forecast v. actual). However, the IESO suggests that, should material changes in costs expected/experienced by the IESO or load as reported by the LSEs occur, that the IESO consider whether a mid-year true-up is appropriate as an optional remedy to avoid large year-end true-ups.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 3

Reference: IESO Nova Scotia fee recovery mechanism application (page 13 of 48)

IESO Nova Scotia states the following: *“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.”*

Reference: IESO Nova Scotia fee recovery mechanism application (page 21 of 48)

IESO Nova Scotia identifies direct costs as ~7% of the revenue requirement (with interconnection costs as one example of direct costs), and inseparable core costs as ~93% of the revenue requirement.

a) Please provide the detailed list of all direct cost components and their associated costs/revenue requirement (broken down to the most granular level of detail available).

b) Please clarify the recovery mechanism for direct cost components other than interconnection fees. Specifically, are such costs recovered directly from the relevant LSEs

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

when they are incurred (similar to interconnection fees), or are they included in the fees proposed in this application?

c) Please provide the list of all inseparable core cost components and their associated costs/revenue requirement (broken down to the most granular level of detail available).

d) For each inseparable core cost component, please explain why it was classified as an inseparable cost. Components sharing a common rationale may be grouped into like categories for the purposes of this explanation.

Response IR - 3

a) Please refer to IESO Nova Scotia's 2025/2026 and 2026/2027 Revenue Requirement Applications. For example, IESO Nova Scotia's 2026/2027 Revenue Requirement Application provided the following on page 30 table 15, and page 31 lines 15 to 18, respectively:

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Table 15: OM&A Costs for the Operations (System Planning) Cost Category

Cost Category	Ongoing OM&A Budget (\$)
Operations (System Planning)	3.64M
Salaries and Wages for Technical Staff	3.71M
Third Party Recoveries	(1.07M)
Integrated Resource Planning Consulting Fees	1.0M

And:

Third Party Recoveries refers to the recovery of labour costs associated with IESO Nova Scotia technical employees completing interconnection studies. These costs are recovered as allowed under the NSEB-approved Generation Interconnection Procedures, and reflect the actual costs incurred to perform Feasibility and System Impact Studies on behalf of interconnection customers.

The only direct cost component referred to by IESO Nova Scotia in the Application are those associated with Third Party Recoveries.

b) Please refer to part a) above. There are no other direct cost components.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

c) Please refer to IESO Nova Scotia's 2025/2026 and 2026/2027 Revenue Requirement Applications. All other cost categories outside of Third Party Recoveries are considered inseparable core cost components.

d) The Application provided the following regarding direct and inseparable costs:

...the revenue requirement is typically divided between (i) 'inseparable costs', and 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.¹

FTI's Recommendation Report provided the following:

Inseparable costs (which include integrated resource planning, employees, and administrative costs for example) are inherent to the running of the IESO, from which the broader customer base (rather than specific beneficiaries) benefit. Therefore, most costs in the current revenue requirement are typically recovered across the Nova Scotia transmission system customer base.²

¹ Application, p.12-13.

² Application, Appendix 2, p.13.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

70 This rationale is common across all IESO Nova Scotia's cost categories found
71 in its Revenue Requirement applications, with the exception of the
72 interconnection study direct costs as noted.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 4

For the following data requests, please provide the data in MS Excel format for 2024 (actual), 2025 (actual), 2026 (actual and forecasts), and 2027 (January to March forecasts):

- a) Hourly load (in MWh), reported separately for each Nova Scotia LSE. If hourly data is not available, please provide the most granular breakdown available.
- b) Monthly coincident and non-coincident peak load (in MW), reported separately for each Nova Scotia LSE.
- c) Monthly Nova Scotia exports (in MWh), reported separately for each export jurisdiction.
- d) Monthly electricity volumes wheeled through Nova Scotia Power's transmission grid. This request is not limited to LSE load; please include volumes for all entities using the transmission grid, including exports and LSEs not considered for cost allocation (if any).

Response IR - 4

- a) IESO Nova Scotia did not obtain hourly load data as it was not required for the purpose of allocating fees to LSEs – the proportionate overall annual fiscal year load share of each LSE is required to determine appropriate and corresponding proportional allocation of IESO Nova Scotia's revenue requirement.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

19 b), c) and d) IESO Nova Scotia does not have this information as it is out of scope for the
20 proposed fee recovery mechanism and not necessary as an input for calculation of fees.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 5

Reference: IESO Nova Scotia fee recovery mechanism application (page 23 of 48)

IESO Nova Scotia states the following: “...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) Does IESO Nova Scotia anticipate filing a separate fee recovery mechanism application, potentially proposing a different recovery mechanism, upon reaching Phase 2 steady state operation?

b) If no to (a), does IESO Nova Scotia anticipate addressing this matter within its annual revenue requirement application(s)?

Response IR - 5

a) Please refer to NSEB IR-8. In the event IESO Nova Scotia determines an OATT based fee recovery mechanism is appropriate once Phase 2 steady state operations have been reached, it may make separate application for a new OATT-based fee recovery mechanism or make application via a future annual revenue requirement, proposed expenditures, and fees application.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

19

20 b) Please refer to part a).

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 6

Reference: Appendix 1 – Jurisdictional scan (PDF page 22)

Most of AEMO's participant charges are recovered from load through a 50% consumption-based charge (per MWh) and a 50% fixed charge per connection point, and from generation through a 50% metered energy charge (per MWh) and a 50% capacity charge (per MW).

If known, please explain the rationale for AEMO's use of an even 50:50 division between the variable and fixed components of these charges.

Response IR - 6

As explained by AEMO in its Participant fee structures consultation:

Since AEMO's costs are not completely variable and include significant fixed operational expenses, a two-part tariff provides better allocative efficiency by reflecting these characteristics. All participants pay a fixed fee for market access, alongside a variable fee that matches their actual use of services. This method ensures that costs fall on those responsible for them, sending clearer price signals about the real cost of participating in the market.

Further, combining fixed and variable charges provides certainty for AEMO that it can recover its budgeted revenue needs. The fixed portion gives AEMO steady and predictable income, making it easier to plan budgets and operations—thus boosting productive efficiency. Meanwhile, the volumetric component promotes efficient use of AEMO's services and outputs.

This design also reduces the risk of unfair discrimination against any particular Registered Participant. It prevents high volume users from bearing an excessive share of fixed costs that benefit low-usage or inactive participants, who still rely on AEMO for registration and system access maintenance. It also mitigates a situation where

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

28 under a fully fixed structure, lower usage customers would end up cross subsidising
29 the higher usage customers.¹
30

31 AEMO has also described this approach as follows: “The established 50:50 split is simple to
32 implement within current systems and processes and is familiar to both AEMO and market
33 participants, reducing complexity and transition costs.”²

¹ [nem-participant-fee-structure-review---final-report-and-determination-final.pdf](#), pg. 30.

² [nem-participant-fee-structure-review---final-report-and-determination-final.pdf](#), pg. 30.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 7

Reference: Appendix 2 – IESO enduring fee recovery mechanism (page 32 of 48)

FTI Consulting (“FTI”) states the following: “A charge applied to exports increases the marginal cost of exporting electricity. As a result, some trades that would otherwise be economically efficient may no longer occur, reducing total export volumes. Because the cost of providing ISO services is fixed regardless of export volumes, any reduction in exports would simply shift recovery of the revenue requirement to other market participants, creating a potential welfare loss through a distortion of efficient trading patterns.”

a) Please confirm if the quoted passage above is the underlying reason for IESO Nova Scotia not proposing allocating IESO Nova Scotia’s revenue requirement to exports.

b) If not confirmed, please elaborate on the rationale for not proposing a methodology that allocates fees to exports (both at this time and going forward if/when exports increase substantially).

Response IR – 7

Please refer to NSEB IR-21.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 8

Reference: Appendix 3 – IESO Nova Scotia fee calculation model

The fee calculation model does not include carrying charges. Is this because the carrying charges associated with the true-up of the 2025-26 revenue requirement are treated as “financing costs”, which are already included within the 2026-27 revenue requirement?

a) If yes, please provide the calculation of carrying cost associated with the 2025-26 true-up, in MS Excel format.

b) If no, please explain the rationale for carrying costs not being considered in the fee calculation model.

c) What is the estimated carrying cost (in basis points) for an under-recovery or over-recovery of IESO Nova Scotia’s revenue requirement in 2026-27?

d) Please describe the methodology used to calculate carrying costs. Please provide the basis for determining the carrying cost rate and the compounding frequency.

Response IR - 8

a-b) The 2025-26 true-up is an offset to the 2025-26 revenue requirement that is proposed to be recovered from December 2026 to March 2027 and carrying charges on the true-up are not applicable.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

19 c) The estimated carrying cost is 2.32%.

20

21 d) IESO Nova Scotia is not proposing to apply carrying costs to true-up or load allocation
22 adjustment balances. IESO Nova Scotia incurs carrying costs on a monthly basis calculated
23 as one-twelfth of the annual carrying cost rate applied to month-end balances. Please refer
24 to CA IR-5.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Request IR - 9

Reference: Appendix 1 – Jurisdictional scan (PDF page 25)

FTI Consulting (“FTI”) states the following: *“As comparisons to Nova Scotia’s power system being composed primarily (currently, almost entirely) of a VIU, we have included several grids with large incumbent structures. The CAISO and ISO-NE have large, privately-owned VIUs that are part of the geographical area they operate.”*

a) Please identify each VIU within ISO-NE on which FTI relied in characterizing ISO-NE as a grid with “large, privately-owned VIUs”.

b) NYISO is a single-state ISO of a scale broadly similar to ISO-NE, which recovers its costs through an ISO-only charge. Please explain why NYISO’s cost recovery mechanism was not reviewed.

Response IR - 9

a) The main New England utilities still vertically integrated (i.e., owning wires and generation) are in Vermont: Green Mountain Power, Vermont Electric Cooperative, and several Vermont municipal utilities.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

18 b) FTI chose a Benchmarking Group designed to reflect a variety of characteristics (see
19 Appendix 1 FTI Jurisdictional Scan, Figure 1). The NYISO is a slightly larger ISO than
20 ISO-NE, and has an ISO fee recovery mechanism similar to that of ISO-NE (an OATT
21 schedule) which does not add much additional information to the Scan.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

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1 **Request IR - 10**

2 **Reference: Appendix 1 – Jurisdictional scan (PDF page 27, Table 6)**

3 Table 6 indicates that IESO Nova Scotia serves approximately 1 million people, with 5,200 km of
4 transmission, 3 GW of installed capacity, 2 GW of peak load, 11 TWh of total energy consumption,
5 and Phase 1 operating costs of US\$10 million. The smallest comparator in the benchmarking
6 group, the AESO, is reported at 5 million people served, 26,000 km of transmission, 23 GW of
7 installed capacity, 12 GW of peak load, 63 TWh of total energy consumption, and operating costs
8 of US\$113 million. Every other comparator is materially larger, with operating costs ranging from
9 US\$206 million to US\$476 million.

10 a) Please explain what role, if any, the size of a market plays in determining whether a given
11 ISO is an appropriate comparator for the purpose of designing IESO Nova Scotia's fee
12 recovery mechanism.

13 b) Please explain whether, and if so how, the differences in scale set out in Table 6 affect the
14 transferability of each comparator's charge structure to IESO Nova Scotia.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

Response IR – 10

a) FTI does not consider the size of a market to play a role in determining whether a given ISO is an appropriate comparator. As shown in FTI's Jurisdictional Scan,¹ the Benchmarking Group was chosen to reflect a variety of shared characteristics with IESO Nova Scotia: structure (large incumbents), jurisdiction (a single province within a larger jurisdiction), age (newly restructured), resource mix (high renewables).² No one ISO was a perfect parallel to IESO Nova Scotia, but the Benchmarking Group provides reasonable comparators from which to pull best practices.

Additionally, it should be noted that all benchmarked ISOs have a wider variety of roles and more responsibilities than IESO Nova Scotia, all being more mature and established organizations.

b) The size of an ISO does not necessarily impact the transferability of charge structure. When comparing peer ISOs, the breadth of the roles and responsibilities of the ISO and the types of market participants (traditional utilities, independent retailers, direct-connect load, etc.)

¹ Appendix 1, Figure 1 and discussion on p.25-26.

² Note the "high renewables" category was to reflect the province's future resource mix, in line with its clean energy policies.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

are more important considerations. Existing market structure, such as ownership of the OATT, were additional considerations when reviewing cost recovery mechanisms in the Benchmarking Group.

How system size relates to the charge design is that market distortions introduced due to an ISO charge design are likely less of a concern in larger systems. This is because a share of ISO Core Costs are fixed and the remaining share of ISO Core Costs scale only to a very limited extent with size, and hence the cost paid per market participant (e.g., a usage charge in \$/MWh) will likely be lower (in absolute terms, all else being equal) in larger systems than smaller systems. Even though, as described in FTI's recommendation report, we deem the ISO Core Costs over the total electricity bill of an LSE to be small enough that the potential market distortions to be likely immaterial when allocated to load.³

The proposed mechanism is influenced and informed by the mechanisms used in the Benchmarking Group in FTI's Jurisdictional Scan, but was also designed to suit the needs of Nova Scotia. Revenue stability and revenue predictability were key considerations. In that regard, the size (and low number of market participants) of the Nova Scotia system is relevant as it may be more prone to potential, future fluctuations in energy consumption

³ Appendix 2, p.23 and 34.

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to London Economics International LLC (LEI) Information
Requests

NON-CONFIDENTIAL

50 (due to weather, changes in usage, etc.) than larger systems (and hence fluctuations in
51 revenues if using a charging structure based on consumption or peak capacity). Therefore,
52 a best-fit cost recovery mechanism, which FTI deemed to achieve those objectives better
53 than the tariff structures in place in other (larger) jurisdictions, is argued to be beneficial.
54 Further, it is important to add that the limited number of market participants in Nova Scotia
55 compared to other jurisdictions made FTI's proposal relatively administratively
56 implementable.⁴

⁴ Appendix 2, p.18 footnote 28 re: the interaction of load diversity and system forecasts.