

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to Nova Scotia Energy Board (NSEB) Information Requests

NON-CONFIDENTIAL

1 **Request IR - 1**

2 Please confirm that IESO intends to file its revenue requirement applications and proposed fees
3 and charges to recover its revenue requirement by the December 31st immediately preceding the
4 April 1st to March 31st fiscal year to which the revenue requirement and proposed fees and charges
5 relate.

6

7 **Response IR - 1**

8

9 Confirmed.

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Request IR - 2

Reference: Section 3.1 Jurisdictional Research

On pg. 10, lines 21-22, it refers to other system charges as “transmission or energy balancing costs”.
Please confirm that ancillary services are also included.

Response IR - 2

ISO Core Costs are internal costs such as ISO staff, control room operating and capital expenditures, load forecasting software and running procurement processes. These costs do not include the remuneration of resources for providing ancillary services. The reference to “transmission or energy balancing costs”, which are not part of the internal costs, refer to the remuneration of Transmission owners for the capital and operating expenses related to wires and the remuneration of resources for providing ancillary services, respectively.

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Request IR - 3

Reference: Section 3.3 Identification of Market Participants

On pg. 13, IESO Nova Scotia states that "...the most common type of market participant charged ISO fees was LSEs." Please confirm that while all jurisdictions shown in Table 1, p.11, Appendix 1 show charges to load serving entities and transmission connected load, most also include charges to generation and intertie traders.

Response IR - 3

Yes, based on FTI's Jurisdictional Scan, most ISOs in the Benchmarking Group charge generation and intertie traders for ISO Core Costs, in addition to charging LSEs and transmission-connected load. However, two important points are worth adding. First, it should be noted that all of the ISOs in the Benchmarking Group have roles and responsibilities outside of the IESO Nova Scotia's Phase 1 role. As shown in Appendix 1 Table 4, many of these ISOs additionally run wholesale electricity markets, have robust market surveillance and monitoring roles, among others. Typically, generators and/or intertie traders are charged for part of the costs of those activities. Second, for all ISOs that charge other market participants in addition to LSEs and transmission-connected load, the costs allocated to those other market participants are generally a small share of total ISO costs.

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Request IR - 4

On pg. 13, there is a reference to “Transmission Owners”. Please confirm that in Nova Scotia, transmission owners will ultimately include both NSPML and Wasoqonatl Transmission Incorporated.

Response IR - 4

IESO Nova Scotia understands that NSPML and Wasoqonatl Transmission Incorporated may already own or will own elements of the Nova Scotia transmission system. FTI addressed transmission owners in both its jurisdictional research report (Appendix 1) and its recommendation report (Appendix 2). Appendix 2 provided the following:

Exceptionally, the Australian Energy Market Operator (“AEMO”) also considers Transmission Owners (“TOs”) as relevant MPs for ISO fees. We do not consider the TO to be a relevant MP in the context of Nova Scotia. Fees imposed on TOs would be added to their regulated revenue requirement, which eventually would be charged to load as well.¹

It is undetermined at this time whether NSPML and Wasoqonatl Transmission Incorporated would be categorized as a “Transmission Owner” for the purpose of being subject to IESO Nova Scotia fees. IESO Nova Scotia notes as FTI note did that “TOs” subject to ISO fees is the exception

¹ Application, Appendix 2, page 9.
Date Filed: September 22, 2026

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- 21 amongst the ISO study group, and IESO Nova Scotia's Application is not proposing to charge TOs
- 22 fees, insofar as they fall outside the existing LSEs in Nova Scotia.

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Request IR - 5

Reference: Section 3.3 Identification of Market Participants

In this section and footnote 8, IESO Nova Scotia notes that the Town of Lunenburg electric utility is not included as a market participant under its Proposed Mechanism because it currently takes fully bundled service from Nova Scotia Power and is not currently registered as an accredited market participant.

a) Given that the Town of Lunenburg electric utility is defined as a “wholesale customer” under the *Electricity Act*, please explain why the identified factors warrant treating the Town of Lunenburg differently than all other municipal electric utilities in the province.

b) Has IESO Nova Scotia discussed this aspect of its application with the Town of Lunenburg, and if so, did the Town express any concerns about this approach?

Response IR - 5

a) Potential market participants were identified based on 1) FTI’s jurisdictional research identifying Load Serving Entities (LSEs) as the most common market participant charged IESO fees and 2) the Nova Scotia Power System Operator’s Accredited Market Participants list.¹ Market participants eligible for IESO Nova Scotia’s fees must therefore

¹ https://www.nspower.ca/docs/default-source/monthly-reports/accredited-market-participants.pdf?sfvrsn=24c29176_11

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18 be LSEs and accredited market participants. This was deemed the clearest and most
19 methodologically sound approach to identifying entities eligible for IESO Nova Scotia fees.

20
21 While the Town of Lunenburg falls under the definition of a LSE, it is not an accredited
22 market participant in Nova Scotia. All other municipal utilities are accredited market
23 participants. Including the Town of Lunenburg as subject to IESO Nova Scotia's fees
24 would alternatively raise the question as to why they were designated as such absent being
25 an accredited market participant.

26
27 Notwithstanding, IESO Nova Scotia assumes some portion of its costs would be passed
28 onto the Town of Lunenburg in future through NS Power's cost of service treatment of
29 IESO Nova Scotia fees, given the Town of Lunenburg takes fully bundled service from NS
30 Power.

31
32 b) IESO Nova Scotia has not discussed this aspect of its Application with the Town of
33 Lunenburg as the Application does not propose charging them IESO Nova Scotia fees. The
34 Town of Lunenburg would be subject instead to IESO Nova Scotia costs being passed on
35 to them via NS Power as a customer taking fully bundled service from NS Power.

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Request IR - 6

Reference: Footnote 9 on pg.15

IESO Nova Scotia notes that nothing is proposed to be charged to the Renewable to Retail Licensed Retail Supplier (LRS) as part of the proposed fees, but that IESO Nova Scotia will apply for adjustments to fees at the next opportunity to do so after the LRS is operational.

a) Given that IESO Nova Scotia is proposing a fixed monthly direct charge to load serving entities, with a subsequent adjustment as between load serving entities to account for variances in their percentage share of total province load from forecast to actual, please explain how “any potential changes in the LRS’s commercial operation date could affect necessary cash flow for IESO Nova Scotia.”

b) Has the load expected to be served by the LRS in 2026/2027 been assigned to NS Power for purposes of fees up to March 31, 2027, under the Proposed Mechanism? If so, please explain how this approach is consistent with the guiding principles for the renewable to retail program set out in s. 22(2) of the Electricity Act?

c) Will the LRS be charged a prorated fee for the current period based on the date it becomes operational?

d) Does IESO Nova Scotia intend to bring a separate application forward once the LRS is operational or wait for the true-up process to determine the fees owing?

e) Has IESO Nova Scotia discussed its intended approach with the LRS, and if so, did the LRS express any concerns about this approach?

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Response IR - 6

a) Given the inherent uncertainty of the timing of a new LRS coming into service, IESO Nova Scotia cannot reasonably prospectively charge the LRS fees absent the LRS serving actual load and actively participating in the electricity market. This could cause undue burden on the LRS without actual operations and a source of steady revenue, without which fees allocated prospectively to the LRS may not be recoverable creating a commensurate lack of cash flow. Nevertheless, once an LRS is in service, IESO Nova Scotia will retroactively collect their fair share of IESO Nova Scotia costs.

b) No, the load assigned to NS Power is based on its forecast loads as per the 2026/27 GRA which excludes LRS loads. Section 22(2) of the Electricity Act provides the following:

In reviewing and approving the tariffs, procedures and standards of conduct required to be maintained or amended pursuant to this Section, the Board must be guided by the following principles:

(a) customers of Nova Scotia Power and persons who, as of March 18, 2014, were independent power producers or hold feed-in tariff approvals within the meaning of the regulations are not to be negatively affected if some retail customers choose to purchase renewable low-impact electricity from a retail supplier; and

(b) retail suppliers and their customers are to be responsible for all costs related to the provision of service by retail suppliers to their customers that would otherwise be the responsibility of Nova Scotia Power and its customers.

IESO Nova Scotia's proposal will not negatively affect customers of NS Power or IPPs, nor will retail suppliers and their customers avoid IESO Nova Scotia fees. As noted in the

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47 Application, “once the LRS is confirmed operational and providing electricity to its
48 customers, IESO Nova Scotia will apply for corresponding adjustments to fees at the next
49 appropriate opportunity to do so.”¹ In this way IESO Nova Scotia will ensure that the LRS
50 will pay its proportionate share, likely by way the next revenue requirement, proposed
51 expenditures, and fees application following the RtR supplier becoming operational, or via
52 compliance filing in the event the LRS confirms operational status during an IESO Nova
53 Scotia revenue requirement application proceeding. Please also refer to IG IR-5.

54
55 c) Yes. Please refer to part b) above.

56
57 d) Please refer to part b) above.

58
59 e) The LRS was invited to participate in the stakeholder engagement sessions leading up to
60 the filing of the Application but did not respond. IESO Nova Scotia has not otherwise
61 discussed this approach with the LRS.

¹ Application, p15.

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Request IR - 7

Reference: Section 3.4 Set ISO Fees

On pg. 16 the IESO states that incorporating its fees via tariffs under the Open Access Transmission Tariff (OATT) is currently not a good fit for IESO Nova Scotia. Did IESO Nova Scotia canvass interested parties on this issue during its engagement process? Did interested parties agree with IESO Nova Scotia's conclusion that the OATT tariffs are not a good fit currently?

Response IR - 7

Yes, IESO Nova Scotia discussed its position re: OATT based fee recovery mechanism with stakeholders as part of its stakeholder engagement process in advance of filing the Application. Please refer to LEI IR-2 for copies of IESO Nova Scotia's correspondence with stakeholders. This issue was also addressed in FTI's research and fee recovery mechanism recommendation. Stakeholders did not take an explicitly stated position on an OATT fee recovery mechanism option. IESO Nova Scotia has committed to reviewing the appropriateness of an OATT based fee recovery mechanism once Phase 2 steady-state operations have been reached.

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Request IR - 8

Reference: Section 3.4 Set ISO Fees

On pg. 16, IESO Nova Scotia says it “will reevaluate the fee recovery mechanism once it is under Phase 2 steady state operation, including consideration of whether tariffs under the OATT are appropriate for fee recovery when ownership of the OATT and system operation and dispatch transfer to IESO Nova Scotia.” What is IESO Nova Scotia’s current expectation of when that steady state will occur?

Response IR - 8

Directionally, IESO Nova Scotia anticipates Phase 2 steady state operation to be reached for sometime in the 2028/2029 fiscal year. The in-service date of IESO Nova Scotia’s Phase 2 Control Centre, for example, is anticipated now in March 2028, providing an indicative timeframe of the proclamation of Phase 2 relevant sections of the More Access to Energy Act, included those related to ownership of open access transmission tariffs. Once IESO Nova Scotia has ownership of the OATT, work will begin to reevaluate the OATT broadly first and foremost, and secondly to determine its suitability as the basis of a fee recovery mechanism such as those identified in FTI’s recommendation report.

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Request IR - 9

Reference: Section 3.4 Set ISO Fees

On pg. 17 the IESO states:

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) Does the IESO currently believe that once it takes over system operator functions it will likely use peak-load as a billing determinant?
- b) Does the IESO currently believe that once it takes over system operator functions it will likely use a hybrid approach considering both load and peak-load?
- c) Does the IESO believe that the billing determinant for the currently identified IESO core costs will remain the same even after it takes over system operator functions?
- d) Is the IESO aware of how IRP and long-term planning costs were treated in NS Power's cost of service previously? If so, how were they allocated between non-bundled load serving entities (LSEs) and all other customers previously?

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Response IR - 9

a)-c) Please refer to NSEB IR-8. It is too early to speculate on the details of a potential OATT and/or peak-load based fee recovery mechanism. IESO Nova Scotia will complete a fulsome evaluation of the suitability of an OATT and/or peak-load billing determinant based fee recovery mechanism after ownership of the OATT belongs with IESO Nova Scotia and Phase 2 steady-state operations have been reached.

d) IRP and long-term planning costs are not specifically identified in NS Power's Cost of Service Study. IESO Nova Scotia expects the majority of these costs are within the Transmission O&M category of costs that are included in the transmission revenue requirement used to develop OATT rates. There is not a defined allocation process to allocate costs between NS Power and customers taking OATT service, however OATT rates are set on a \$/MW-month basis which is analogous to a MW demand-based allocation.

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Request IR - 10

Reference: 4.1.1. A Note on Option 2b

The IESO notes that some stakeholders opposed option 2b (a consolidated charge to NS Power).
Is the IESO aware of why some stakeholders opposed option 2b?

Response IR - 10

Please refer to LEI IR-2 for related correspondence from stakeholders and IESO Nova Scotia's
responses. NS Power and the Industrial Group in particular provided the following, respectively:

- 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.
- 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.

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Request IR - 11

Reference: 4.2. The Proposed Fee Recovery Mechanism

The IESO notes that the monthly fee charged to MPs will have a base allocation for that year's revenue requirement, a true-up for the variance in the previous revenue requirement, and a true-up for the variance in actual load served.

a) Will this be the case whether the true-ups are charges or refunds?

b) In the case where the true-ups are refunds, why wouldn't the IESO refund the amount in the first monthly payment?

If the IESO intends to refund the amount over the course of the year, will it be paying the LSEs carrying costs on the amounts?

Response IR - 11

a) Yes.

b) To be methodologically consistent, both true-up refunds and charges are proposed to be spread over each month within the fiscal year. Refunding over-collections in the first monthly payment would correspondingly mean that under-collections would be charged in a lump sum in the first monthly payment. This is presumed to be undesirable by market participants. Furthermore, spread-out true-up refunds and charges provides predictability of cash-flow for both market participants and IESO Nova Scotia.

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- 21 c) No. The impact of over- or under-recovery in a year to carrying costs will be reflected in
22 the “Finance” line item of revenue requirements in those years. Please refer to CA IR-5.

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Request IR - 12

Reference: 4.2. The Proposed Fee Recovery Mechanism

On pg. 27, IESO Nova Scotia notes that its revenue requirement in a fiscal year will be allocated to load serving entities based on their proportional forecast load. In footnote 11, it states that not all load serving entities will have a “detailed” forward looking fiscal year load forecast, but given “relatively stable 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 trued up based on actual loads.”

- a) What level of “detail” is needed for load forecast used for the Proposed Mechanism?
- b) Will IESO Nova Scotia be using forecasts, the most recent historic actual as a proxy, or a mix of both?
- c) How will IESO Nova Scotia manage this to minimize the magnitude of after the fact adjustments due to load variances?

Response IR - 12

- a) IESO Nova Scotia does not require detail in the load forecasts provided by market participants in order to appropriately and accurately allocate fees – it simply needs the total load served to customers for each applicable load serving entity. The purpose of IESO Nova Scotia’s statement was to acknowledge that some load serving entities do not have sophisticated load forecasting capabilities or conduct formal load forecasts, and hence the proposal to use historical actuals as a proxy instead.

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b) IESO Nova Scotia has proposed in the Application to use load forecasts for allocation of base fees, but as stated is amenable to using historic actuals as a proxy for those load serving entities for whom this would be more feasible, subject to the NSEB's approval of such an approach.

c) The proposed annual load allocation adjustment is the mechanism through which load forecast to actual variances will be managed on an annual basis. As noted in the Application:

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.¹

As noted in the Application, load forecast to actual variances in Nova Scotia have historically been very low, and so IESO Nova Scotia does not believe an additional process to manage variances is required. However, IESO Nova Scotia is amenable to considering ad hoc load allocation adjustments more frequently should circumstances arise that suggest material variances in load served are occurring or will occur within a fiscal year.

¹ Application, p.33, lines 7-11.

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Request IR - 13

Reference: 4.2. The Proposed Fee Recovery Mechanism - Load Allocation Adjustment

IESO Nova Scotia states:

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.

- a) Please explain why NS Power's fiscal year (January 1 to December 31) should be used rather than its load during the period to which the costs actually relate (i.e., IESO Nova Scotia's fiscal year).
- b) Please confirm, or explain in detail otherwise, that proceeding in this way would mean that load served by NS Power between January 1 and March 31 in any given year would be considered in a different fiscal year than all of the load serving entities who have fiscal years matching IESO Nova Scotia's.
- c) Please confirm, or explain in detail otherwise, that if IESO Nova Scotia's revenue requirement changes materially year over year and/or NS Power's consumption changes materially in the January 1 to March 31 period changes materially year over year, this could produce material differences in how IESO Nova Scotia's revenue requirement is allocated

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relative to what they would be if the same period is used for actual load for all market participants subject to the Proposed Mechanism.

d) Please explain how a mismatched period for determining actual load for various market participants ensures that each load serving entity is paying only their proportionate share “as accurately as possible”.

e) Does the IESO have any way to verify the load data provided? Or will it have to rely on the load data provided by the LSE’s without verification?

Response IR – 13

a) To clarify, references to fiscal year in the Application refer only to IESO Nova Scotia’s fiscal year, which runs from April 1 to March 31 in accordance with the MAEA. The Application proposes that the Base Allocation and Load Allocation Adjustment are based on IESO Nova Scotia fiscal year load forecasts from market participants where available, and IESO Nova Scotia fiscal year load actuals, respectively.

b) Please refer to part a) above.

c) Please refer to part a) above.

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d) Please refer to part a) above.

e) IESO Nova Scotia has not developed a specific load verification procedure, but is amenable to doing so in conversation with the LSEs. Otherwise, IESO Nova Scotia notes that NS Power's load forecast is provided to the NSEB on an annual basis and that load forecast is vetted through the Board's corresponding hearing proceeding, and therefore suggests that that process would be more than sufficient to "verify" the vast majority of load data that would be used by IESO Nova Scotia for the Base Allocation. Load volumes of the MEU's are similarly provided to the NSEB in flow through and general rate applications. RtR LRSs are required to submit a forecast of sales to the NSEB pursuant to the Board Electricity Retailers Regulations section 11.¹

¹ <https://novascotia.ca/just/regulations/regs/elecretailers.htm>

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Request IR - 14

Reference: 4.2. The Proposed Fee Recovery Mechanism – Annual Filing Framework

On pg. 36, IESO Nova Scotia states that it “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.”

a) Please explain what is meant by, “given the timing of this application”.

b) Does “actual load in 2025” mean the load actually served by each load serving entity for April 1, 2025 to March 31, 2026? If not, please explain what it means and provide the load served by each load serving entity during that period.

c) Please explain how the “forecast 2026 loads were determined”.

d) Please confirm, or explain in detail otherwise, that the forecast used to allocate the 2026/27 revenue requirement will be trued up once actual loads served during that period have been determined.

Response IR - 14

a) The phrase was meant to contrast the submission of the Application in July against the proposed vehicle for ongoing fee recovery through IESO Nova Scotia’s MAEA s.29 Revenue Requirement, Proposed Expenditures, and Fees applications which would be submitted prior to December 31 of each year. Given the NSEB has yet to approve the underlying details of the mechanism as set-out in the Application, IESO Nova Scotia used

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the most readily available load information from market participants to make a timely application.

b) The NS Power volumes used for the 2025/26 period are volumes reported in the 2025 Q4 (April to December 2025) and 2026 Q1 (January to March 2026) Fuel Adjustment Mechanism reports, less the volumes used for the municipal utilities. The volumes for the municipal utilities are forecast 2026/27 volumes provided by the municipalities. Actual 2025/26 volumes were not available to IESO Nova Scotia at the time of the application so these values are used as placeholders.

c) The forecast NS Power volumes used for the 2026/2027 period are the sum of forecast April to December 2026 volumes from 2026-2027 GRA SR-01 Att 02 PCON EO (M10431) and forecast January to March 2027 volumes from 2026-2027 GRA SR-01 Att 03 PCON EO (M10431). The forecast volumes for the municipal utilities were provided by the municipal utilities.

d) Confirmed.

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Request IR - 15

Reference: Annual Filing Framework

On pg. 36, the IESO states it is amenable to using the most recent actual loads in place of forecast loads for the MEUs to reduce administrative burden for the MEUs. Please confirm, or clarify otherwise, that the actual load from the fee year will still be used for a true-up of the MEUs fee after the fee year is complete.

Response IR - 15

a) Confirmed.

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Request IR - 16

Reference: Section 5 Fee Calculation and Model

On pg. 42, IESO Nova Scotia says it believes it would be reasonable, if new fees for fiscal year 2027/2028 are not approved by the Energy Board by March 31, 2027, to continue fees in 2027/2028 in the interim, based on its 2026/2027 revenue requirement with fees calculated over a 12-month period.

a) Please explain why this request is not premature, and why the Energy Board's determination in exercising its discretion under s. 29(3) of the *More Access to Energy Act* would not be better informed by the updated revenue requirement information and load forecasts expected in IESO Nova Scotia's next revenue requirement application.

b) Does the IESO's proposed process on pg. 42 differ if the filing of its application for the 2027/2028 fees is delayed beyond December 1, 2026? Please explain.

Response IR - 16

a) IESO Nova Scotia erred on the side of "well-in-advance" transparency by highlighting in this Application the requirement for fees to continue in the absence of NSEB approval of 2027/2028 revenue requirement fees by March 31, 2027. IESO Nova Scotia is amenable to updating the request for the continuation of fees in its 2027/2028 Revenue Requirement, Proposed Expenditures, and Fees application with the most up-to-date information. IESO

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21 Nova Scotia additionally notes that its request in this manner is simply a function of the
22 timing of this one-time Application for the underlying fee recovery mechanism, and
23 expects that all related fees approval requests will be consolidated into IESO Nova Scotia's
24 annual Revenue Requirement, Proposed Expenditures, and Fees applications.

25
26 b) No. IESO Nova Scotia acknowledges that the NSEB's hearing proceedings often require
27 six months or more before the Board renders its associated Decision. Whether IESO Nova
28 Scotia provides its 2027/2028 Revenue Requirement, Proposed Expenditures, and Fees
29 application before or after December 1, 2026 would not, in IESO Nova Scotia's estimation,
30 result in a NSEB Decision prior to March 31, 2026. Therefore, the request for the
31 continuation of fees on April 1, 2027 would remain the same in accordance with Section
32 29(3) of the MAEA.

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Request IR - 17

Reference: Appendix 1 – ISO Cost Recovery Mechanism Jurisdictional Scan

On pg. 6, FTI states, “A significant portion of the ISO’s costs are not incremental for consumers as a result of having an ISO; rather, many of these costs arise from functions that would otherwise need to be performed by the VIU (e.g., the need for having a control centre and the staff operating it).”

a) Please provide any report, study or assessment conducted or reviewed by FTI showing the extent of incremental costs for consumers as a result of them having IESO Nova Scotia.

b) What is FTI’s understanding of NS Power’s need to have a control centre and staff operating it after Phase 2 of the transition to IESO Nova Scotia.

Response IR – 17

a) FTI does not have any report, study or assessment on the specific quantum of incremental costs regarding the IESO Nova Scotia.

b) It is FTI’s understanding that IESO Nova Scotia has finalized an options analysis with external consultants regarding control centre responsibilities, and continues to work through details of its broader Phase 2 responsibilities and transition.

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Request IR - 18

Reference: Appendix 1 – ISO Cost Recovery Mechanism Jurisdictional Scan

On pg. 12, FTI notes that most ISOs, like IESO Nova Scotia, do not operate for profit. Of the jurisdictions considered in the scan, how many apply fixed fees as proposed by IESO Nova Scotia and how many apply variable fees based on a fixed rate for energy sold in the fee recovery period (recognizing that either may be subject to adjustment to account for variances from forecast load)?

Response IR - 18

All six ISOs in the Jurisdictional Scan charge usage-based (per MWh or per MW) fees, with true-ups to ensure exact cost recovery aligned with their not-for-profit status. Some ISOs, such as ISO-NE, additionally charge flat membership fees.

The fixed charges proposed to recover IESO Nova Scotia's costs are not currently applied in any jurisdiction. The other jurisdictions examined by FTI featured ISO's in advanced stage operations and fully engaged in and have ownership over their respective market's tariff and system operation functions. As noted in the Application, IESO Nova Scotia is in its Phase 1 operations which do not include ownership of system operation/dispatch and the OATT.

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19 They are tailored to IESO Nova Scotia with the aim of ensuring revenue predictability and stability,
20 which were deemed particularly important given the nascent state of the organization and its
21 potential vulnerability to revenue swings. Revenue stability also benefits end users, since without
22 it IESO Nova Scotia might need to borrow additional money, and the resulting interest would
23 increase the total ISO costs to be recovered. As the ISO charge is the only source of income for
24 IESO Nova Scotia while ISO charges are typically only a very small part of the costs of any market
25 participant, FTI deemed the stability of charges for IESO Nova Scotia priority.

26
27 As explained in the Application, “The main reason to introduce a fixed charge for energy
28 consumption over a charge based on month-to-month metered consumption (i.e. volumetric
29 charge) is twofold: 1) revenue predictability for the ISO because the forecast revenue requirement
30 will be evenly and entirely recovered by the fee regardless of system usage, and 2) revenue stability
31 because the design provides a constant monthly cost recovery for IESO Nova Scotia independent
32 of seasonal variation in energy consumption. This better matches the nature of the costs incurred
33 by the ISO, which are generally fixed and evenly distributed throughout the year.”¹ It should be
34 additionally noted that the parallel to revenue predictability for IESO Nova Scotia is cost
35 predictability for market participants, allowing for more steady payment expectations.

¹ Application, p18.

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Request IR - 19

Reference: Appendix 1 – ISO Cost Recovery Mechanism Jurisdictional Scan

On pg. 17, FTI states:

Even for LSEs that are levied a usage-based charge (per MWh, which could theoretically be linearly passed through to customers), because no LSE charges the same rates to all customers, it is improbable an LSE would charge its customers the same per-MWh charge to recover ISO fees that the LSE itself is charged. Once the ISO charge is levied on the LSE, it is added to the LSE's own revenue requirement used in its own ratemaking process (similar to NSP's GRA process). Each LSE's ratemaking process is complex and results in differing ratepayer tariff charges for often 10+ customer classes (residential, low income, small and large commercial, street lighting, house of worship, etc.). Each customer class could have their own allocation methodology that could be a mixture of fixed (per-bill), usage-based (per MWh) and capacity (per MW) charges. Hence by doing so, different customer classes might contribute more or less than other customer classes per MWh consumed to the ISO costs (charged via the LSE).

- a) If a load serving entity incurs a cost that is directly related to the amount of energy consumed by a customer, why is it "improbable" that it would be linearly passed along to customers through their energy rates?
- b) Is FTI aware of any jurisdiction that passes along "ISO Core Costs" approved as a usage based charge in a linear fashion or a pass-through rate rider?
- c) As of the date of this information request, it appears that the 2026 Interim Usage Fees approved for IESO Ontario by the Ontario Energy Board are \$1.4492/MWh for domestic customers (see [OEB Interim Fees Order EB-2025-0302](#) and [IESO Ontario "Usage Fees" Web Page](#)).

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i. Are these usage fees recovered through the Wholesale Market Service Charge approved by the Ontario Energy Board? Please explain.

ii. Are these usage fees recovered as a pass through to end users by distribution companies in Ontario, at the same rate, from all customer classes? Please explain.

Response IR – 19

a) Each LSE has its own cost of service allocation methodology that generally assigns different proportions of costs to different customer classes. For example, an LSE might be charged an additional 5 cents in ISO charges per MWh withdrawn from the transmission network but not every customer of the LSE necessarily pays the LSE the same per-MWh charge for each MWh of consumption - it depends on the cost allocation methodology to know how the 5 cents per MWh (as per example) is allocated across customer classes. IESO Nova Scotia, with the assistance of Power Advisory, assisted stakeholders as part of its stakeholder engagement sessions in understanding how NS Power's customer classes might have IESO Nova Scotia costs allocated to them (please refer to IG IR-1); the resulting illustrative model demonstrated the various different potential cost of service treatments that might be applied and how they might affect customer allocation and billing

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47 impacts. Otherwise, IESO Nova Scotia respectfully submits that it is out of scope of the
48 Application to opine on how each LSE recovers its costs from its customers.
49

50 b) FTI reviewed cost recovery mechanisms of six ISOs in its jurisdictional scan. Of those,
51 IESO Ontario generally charges a flat fee across customer classes and across LSEs within
52 province. Otherwise, ISO core costs recovery from customer classes generally occurs
53 through mechanisms approved by the relevant regulator and embedded within broader
54 market or tariff charges, where those markets feature ISO control of the system and
55 associated tariffs. ISO Core Cost recovery from customer classes has not been observed
56 through rate riders; rate riders are generally used for significant or highly variable costs, or
57 specific utility programs.¹ In Nova Scotia, FTI is aware of the DSM Rider employed by
58 NS Power, which would fall under “specific utility programs”, for recovery of costs related
59 to Efficiency One’s DSM programs.
60

61 c)

62 i. Yes. Local distribution companies recover IESO charges through the OEB-
63 approved Wholesale Market Service (WMS) rate. The WMS is designed to allow

¹ For example, fuel and purchased power expenses; vegetation management, wildfire mitigation and undergrounding programs; or energy efficiency spending.

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64 distributors to recover costs charged by the IESO for the operation of the IESO-
65 administered markets and the operation of the IESO-controlled grid.²
66 ii. Yes, the same rate is used for all domestic customers. They appear on the customer
67 bill under the “Regulatory Charges” line item, which includes other charges
68 approved by the OEB.³

² See [OEB Filing Reqs Chapter 2 2027 20251216.pdf](#), pg. 55.

³ See [Understanding your electricity bill | Ontario Energy Board](#).

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Request IR - 20

Reference: Appendix 2 – IESO Enduring Fee Cost Recovery Recommendation Report

On pdf pg. 5, FTI Consulting lays out four potential fee recovery mechanisms, the first of which is a new schedule in the Open Access Transmission Tariff. If this option were utilized, would NS Power pay the full amount to the IESO and then use its approved Cost of Service methodology to allocate the costs as between its OATT customers and all other customers? If not, how would this option be executed?

Response IR - 20

Given the OATT option noted by the NSEB was not selected as the proposed fee recovery option, details associated with it were not further developed and cannot be described with certainty. That said, IESO Nova Scotia would not expect an OATT schedule-based fee recovery mechanism to apply all of IESO Nova Scotia's costs to just NS Power. As noted by FTI in its jurisdictional scan, ISO's who base their fees on transmission tariff structures identify all market participants eligible for and appropriately subject to corresponding fees, and the fee recovery mechanism determines the appropriate basis (such as the billing determinant) on which to charge those market participants. Assuming NS Power would be subject to some measure of IESO Nova Scotia fees under an OATT based fee recovery mechanism, IESO Nova Scotia would expect that NS Power would then pass

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- 20 on associated costs for recovery from their customers not already subject to an OATT based IESO
- 21 fee, based on a Cost of Service methodology determined by NS Power.

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Request IR - 21

Reference: Appendix 2 – IESO Enduring Fee Cost Recovery Recommendation Report

The report notes three end-use customers for option 1a or 1b: NS Power, the OATT MEUs, and
intertie traders.

a) Does this indicate that Intertie Traders would bear some of the IESO NS core costs under
these options but not under the option recommended by FTI Consulting?

b) Please explain why IESO Ontario, which is associated with option 2a in the report, also
charges intertie traders, as noted in Table 1, p.11, Appendix 1, and would appear to be the
case based on the usage fee set by the Ontario Energy Board for “export customers” (see
[OEB Interim Fees Order EB-2025-0302](#) and [IESO Ontario "Usage Fees" Web Page](#)).

c) Starting on pg. 8, FTI Consulting states that “depending on their design and magnitude,
fees on intertie traders scheduling exports could lead to a reduction of the total export
scheduled, potentially introducing a welfare loss”. Is this FTI Consulting’s reasoning for
not charging intertie traders under the recommended approach?

i. If so, what is the basis for this statement? Does FTI have any data to support this
statement?

ii. If not, what is the reasoning?

d) Please confirm, or explain in detail otherwise, that Table 1, p.11, Appendix 1 shows that
the following ISOs charge intertie traders: ISO New England, the California Independent
System Operator, IESO Ontario and the Alberta Electricity System Operator.

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e) Please explain why “welfare loss” should be a reason for not charging intertie traders in Nova Scotia when it is not a sufficient concern in those other jurisdictions to warrant not charging intertie traders.

f) Please provide any studies, reports or assessments conducted or reviewed by FTI on the potential for “welfare loss” in Nova Scotia if intertie traders paid IESO Nova Scotia fees.

g) If option 1a or 1b were chosen, does FTI Consulting recommend that Intertie Traders are charged a fee?

i. If so, what fee does it recommend?

ii. If not, please explain (if different than the answer to part c)ii above).

Response IR – 21

a) Whereas Options 1a and 1b were not selected as the recommended fee recovery mechanism, details such as what market participants might be charged fees were not developed in greater detail. It is possible Intertie Traders would be directly charged by IESO Nova Scotia under an OATT-based tariff, however, this is not a given if option 1a were chosen. Please also refer to IG IR-3 regarding intertie traders continuing to be charged OATT fees.

b) The underlying justification for the cost recovery mechanisms in each of the benchmarked ISOs was not within FTI’s research scope. FTI’s general understanding is that IESO

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Ontario charges a share of the ISO Core Costs to both domestic and export customers, while some ISO Core Costs are charged to only domestic customers (causing the higher rate of the Ontario Usage Fee for domestic customers).¹

In that regard, many of the ISO Core Costs not charged to intertie traders in Ontario are similar to the functions that are currently performed by IESO Nova Scotia under Phase 1. Please also refer to IG IR-3 regarding intertie traders continuing to be charged OATT fees for roles still under NS Power.

It should also be noted that Ontario is an electricity net exporter (21.1 TWh of gross exports in 2025 compared to 3.1 TWh of gross imports)² while Nova Scotia is an electricity net importer.

c) i) ii) Welfare loss was considered as a factor but not the key reason to not charge intertie traders in the current IESO Nova Scotia context. Welfare loss was described in the FTI Recommendation Report as follows:³

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

¹ See [OEB Interim Fees Order EB-2025-0302](#), pg. 1.

² [2025 Year in Review](#)

³ FTI Recommendation Report, pg. 9, footnote 9.

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61 reduction in exports would simply shift recovery of the revenue requirement
62 to other market participants, creating a potential welfare loss through a
63 distortion of efficient trading patterns.
64

65 Due to this rationale, not all ISOs charge intertie traders. For example, the European Union
66 (EU), and between EU countries, Norway and Great Britain, do not apply charges to intertie
67 traders (neither transmission charges nor ISO Core costs charges) for this reason. This was
68 not always the case. Prior to 2009, cross-border electricity transactions in some parts of
69 Europe were subject to multiple transmission charges ("pancaking"), which were viewed
70 as a barrier to efficient cross-border trade. *Regulation (EC) No 714/2009*⁴ established a
71 framework for non-discriminatory access to transmission networks. This policy change
72 was enacted to facilitate efficient cross-border electricity trading and support the
73 development of an integrated electricity market.
74

75 Regardless, a core main reason for FTI to not recommend charging ISO Core Costs to
76 intertie traders is that the volumes of export are currently very limited in Nova Scotia
77 meaning that the ISO Core Costs recovered from exporting intertie traders (if charged)
78 would be limited. This is especially relevant in proportion to the additional administrative

⁴ Introduced as part of the Third Energy Package, a major set of European Union energy market reforms adopted in 2009 to create a more integrated, competitive, and efficient electricity and gas market across Europe. See Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 (Text with EEA relevance), [Regulation - 714/2009 - EN - EUR-Lex](#).

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79 burden (and cost) of introducing new entity(ies) to collect load forecasts from, and issue
80 invoices to. Additionally, as noted previously, intertie traders will still be captured for
81 certain operational costs and transmission asset recovery under the fees of the existing
82 OATT.

83
84 Low export volumes imply that the welfare loss from charging exports is likely limited
85 today (relative to a situation with higher export volumes).⁵ However, this rationale implies
86 that if 1) IESO Nova Scotia took up system and/or market operation, and/or 2) export
87 volumes would significantly rise, charging intertie traders could become a more relevant
88 consideration. However, should export volumes significantly rise, there remains a risk of
89 difficult-to-forecast volumes for intertie traders, which may remain a concern for ISO Core
90 Cost allocation under the proposed methodology.

91
92 Charging intertie traders any ISO costs would, in any case, produce welfare losses larger
93 than those from charging LSEs, given the higher price elasticity of intertie trading relative
94 to load. Charging intertie traders could therefore be justified on 'fair burden-sharing'
95 grounds—a policy consideration—but not on grounds of economic efficiency.

⁵ In addition, as transmission costs are charged to intertie traders, the additional inefficiency caused by charging ISO Core Costs to intertie traders is likely relatively limited.

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d) As shown in the FTI Jurisdictional Scan, many of the benchmarked ISOs (including ISO-NE, CAISO, IESO Ontario and the AESO) charge ISO Core Costs to intertie traders.⁶ For more detail, see Table 4 of Appendix 1, Jurisdictional Scan.

e) Please refer to part c). The ISOs charging intertie traders ISO costs are very likely aware of the welfare loss issue. However, FTI speculates that in many jurisdictions, not charging intertie traders—and thereby increasing the cost burden on domestic load—might be politically less acceptable. This is a particular issue where a neighbouring ISO charges exporting intertie traders (i.e., traders exporting from a jurisdiction, which the neighbouring ISO treats as imports into its own).⁷ Additionally, this could also be the case should the relative size of the intertie be so large that it presents an incremental reliability need (and cost), such as increasing a reserve requirement (e.g., being the N-1 contingency). Again this reasoning highlights that if 1) export volumes would rise, and/or 2) IESO Nova Scotia additionally took on the system and market operator function, the case for charging intertie traders could become more relevant.

f) It is well-known that levying non-cost reflective charges on price elastic grid users (such as intertie traders), whether they intend to recover ISO Core Costs or any other costs such

⁶ Appendix 1, Jurisdictional Scan, Table 1.

⁷ One of the reasons NESO does not charge ISO Core Costs to intertie traders is that there is an agreement with their neighbouring ISOs that they neither charge intertie traders for ISO Core Costs.

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as transmission costs, will result in a welfare loss. The theory goes back to Frank Ramsey's seminal 1927 paper "A Contribution to the Theory of Taxation". While FTI has not assessed the magnitude of the welfare loss for potential IESO Nova Scotia charges, there is a strand of literature in economics discussing how levying charges on intertie trade creates a welfare loss. While most of the literature focusses on transmission charges, the economic principles are broadly the same. An example is: Brunekreeft, G., Neuhoﬀ, K. and Newbery, D., 2005. Electricity transmission: An overview of the current debate. *Utilities policy*, 13(2), pp.73-93.

g) i) ii) From an economic efficiency perspective, FTI Consulting would not recommend charging ISO Core Costs to intertie traders under any of the options. However, as discussed above, if 1) export volumes would rise, and/or 2) IESO Nova Scotia took up more the system and market operator function, the case for charging intertie traders would become more relevant to consider on grounds of 'fair-burden sharing' which is a policy choice. This may be considered in the context of other policy objectives, such as further integrating trade with neighbouring provinces, noting that charges applied to intertie traders will adversely influence incentives for cross-border trade.

Integrating the ISO Core Costs in the OATT for transmission charging (Option 1b) would automatically result in charging intertie traders – as long as the relevant OATT schedule

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135 remains as it is today. Charging intertie traders – if deemed required – would likely be also
136 more easily implemented via a new OATT schedule (Option 1a) compared to the proposed
137 charging arrangement as the OATT schedule concerning transmission costs already
138 charges intertie traders (and hence the administrative processes for collecting charges from
139 intertie traders would not have to be established from zero).

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Request IR - 22

**Reference: Appendix 2 – IESO Enduring Fee Cost Recovery Recommendation Report and
Appendix 3 – Fee Calculation Model**

The detailed example of the direct charge for Option 2.a. in the report contemplates that an allocation adjustment to resolve any over/under-forecast market participant load share would be done for “Year 2” in “Year 3” stating, “In Year 3, Year 2 load per MP is known, hence the difference between the forecast load share in Year 2 and actual load share for each MP can be determined.” Appendix 3 states, “2026/27 Fees calculated with forecast 2026/27 energy allocations are recalculated with the actual 2026/27 volumes. The difference for each LSE is included with the LSE's 2027/28 Annual Fees.”

a) For purposes of comparing the statements in Appendix 2 and Appendix 3, please confirm or explain otherwise that if the “2027/28 Annual Fees” referenced in Appendix 3 are for “Year 3” in Appendix 2, then “Year 2” would be 2026/27 and “Year 1” would be 2025/26.

b) Please confirm that an application for Year 3 (fiscal 2027/28) would be intended to be filed by December 31, 2026.

c) Please confirm that actual load for Year 2 (fiscal 2026/27) will not be known by December 31, 2026, and cannot be known until after March 31, 2027.

d) Please explain how actual load for fiscal 2026/27 could be included in a fees application for fiscal 2027/28.

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Response IR - 22

a) To clarify, IESO Nova Scotia's proposed load allocation adjustment is based on FY1 load actuals which are available by the time of filing for new fees incorporating variances under both True-Up Option 1 or 2. The Application provided the following:

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.

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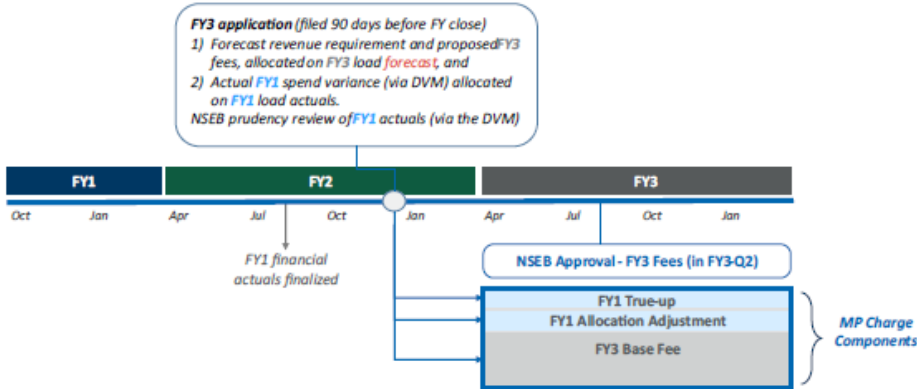
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37 Figures 10 and 11 provided as follows:

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



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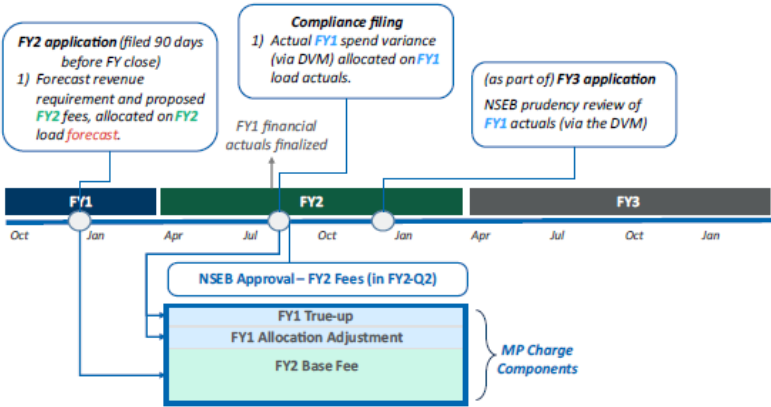
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Figures 12 and 13 provided as follows:

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

OPTION 2	Year	FY1	FY2	FY3
	Revenue Requirement	●		
	Collect Fees	●		
	FY1 Actuals Known		●	
	Compliance Filing		●	
	Adjust FY1 Variance		●	
	Refund/Recovery		●	

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



As can be seen, in either true-up option, FY1 load actuals are known before the proposed filing timeline for true-up and load allocation adjustment fee filings.

The reference in Appendix 3 noted by the NSEB appears on the tab labelled “Illust. True-Up (Compliance)” in Appendix 3, corresponding to the True-up Option 2 noted above which proposes to use a compliance filing in FY2. As shown in Figure 13, FY1 (in this case 2026/27) actual loads are known by the time a compliance filing is submitted with true-up and load allocation adjusted fees in FY2.

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49 The reference in Appendix 2 noted by the NSEB appears in Figure 14 of Appendix 2. This
50 figure is illustrative for the purpose of demonstrating load allocation outside of the timing
51 of applications under Nova Scotia's regulatory framework. The correct timelines are those
52 referred to above as found in the Application.

53
54 b) Confirmed.

55
56 c) Confirmed.

57
58 d) Please refer to part a).