

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to Small Business Advocate (SBA) Information Requests

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Request IR - 1

Refer to M13007, Exhibit N-1, Application, Section 1. Executive Summary, page 4 of 48, at lines 1-11 and Figure 1 at lines 12-13 on the same page:

a) If IESO-NS takes over control of the grid in the future, as contemplated in Phase 2, and this commences in the middle of IESO Nova Scotia's 12-month fiscal year beginning April 1 and ending March 31, will the incremental costs incurred by IESO-NS related to the Phase 2 operation of the grid be added to its revenue requirements for that fiscal year and, if so, will it be reflected in any true-up mechanism?

b) If yes, when will the true-up mechanism be evaluated and be submitted for approval?

Response IR - 1

a) IESO Nova Scotia interprets the SBA's question as assuming that Phase 2 costs would only be captured via true-up. However, in the scenario raised by the SBA, IESO Nova Scotia would forecast costs associated with Phase 2 operations in the applicable Revenue Requirement, Proposed Expenditures, and Fees application. (For example, if Phase 2 operations were to hypothetically commence in July 2028, then the 2028/2029 Revenue Requirement, Proposed Expenditures, and Fees application submitted in December 2027 would include forecast Phase 2 costs.) In this way, any fees proposed in that application

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20 would already reflect Phase 2 costs. Likewise, in this scenario, either true-up option would
21 incorporate variances after applicable FY end for the purpose of fee calculation.

22
23 b) The timing for true-up submission and review for either option as proposed in the
24 Application would not be affected by the scenario raised by the SBA. Please refer to
25 Figures 11 and 13 in the Application as well as CA IR-1.

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Request IR - 2

Refer to M13007, Exhibit N-1, Application, Section 1, Executive Summary, page 3 of 48, lines 10-16, which states:

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

And refer also to Exhibit N-1(iii), Appendix 3 Fee Calculation Model – Excel, tabs “Illust. True-Up (Compliance).

- a) Does the allocation to each LSE’s proportionate share of annual load served reflect the total MW hours over the IESO-NS fiscal year? Will the allocation reflect peak load requirements in any way?
- b) Why does the Berwick Electric Commission (Berwick) receive a credit of -\$6,499 in Cell N55 in Column “2026/2027 Allocation Adjustment”?
- c) Why does the 2026-2027 Actual % for Berwick equal 0.33% in cells G55 and L55, when in the tab “Fee Recovery Calculation” (cells C5, C19, E5, E19 and J19) the percentage for Berwick is 0.37% for both 2025/2026 and 2026/2027? What would cause this percentage to change such that it would or could result in a credit as shown?

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Response IR - 2

a) Yes. The allocation does not reflect peak load.

b) The purpose of the “Illust. True-Up (Compliance)” tab is to illustrate how true-up and load allocation adjustments will be calculated and incorporated into subsequent monthly fees. In this illustrative example, Berwick was allocated 0.38% of 2026/27 fees on a forecast basis and the hypothetical actual share in this scenario is given as 0.33%. As Berwick’s actual 2026/27 load share (in this example) is lower than forecast, Berwick receives a credit equal to -0.04% times the actual 2026/27 revenue requirement.

c) As described in part b), the 0.33% 2026/27 actual load share is a hypothetical figure meant to demonstrate the methodology. It does not reflect IESO Nova Scotia’s expectations of load changes over time.

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Request IR - 3

Refer to M13007, Exhibit N-1, Application, Section 3.3 Allocation of Revenue Requirement to Market Participants, page 16 of 48, at lines 7-22.

a) What changes does the transition to Phase 2 entail in terms of employee assignments or secondments from NS Power or NSPSO and when will these changes occur? Please include with your response a table showing the transfers and the associated costs for those that have already occurred as well as those that will occur under Phase 2.

b) Please refer to the NS Power website for its table describing the 10 Open Access Transmission Tariff (OATT) schedules listing the functions that each performs: (link provided below for convenience)

[https://www.nspower.ca/docs/default-source/monthly-reports/oatt-schedules\(pdf\).pdf?sfvrsn=a5db547_7](https://www.nspower.ca/docs/default-source/monthly-reports/oatt-schedules(pdf).pdf?sfvrsn=a5db547_7)

a. Which of these functions, if any, does IESO-NS already perform today?

b. Which of these functions have costs that are included in this proposed IESO Fee Recovery Mechanism?

c. Which of these functions have costs that are included in IESO-NS' latest revenue requirements application?

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Response IR - 3

- a) IESO Nova Scotia respectfully submits this question is outside the scope of this Application and proceeding. Details related to Phase 2 will be shared with stakeholders in the coming months as part of IESO Nova Scotia's 2027/2028 Revenue Requirement, Proposed Expenditures, and Fees application.
- b) a. IESO Nova Scotia does not today perform any of the functions noted in Schedules 1 to 10 of the OATT.
- b. None.
- c. None.

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Request IR - 4

Refer to M13007, Exhibit N-1(i), Appendix 1 – ISO Enduring Fee Cost Recovery

Jurisdictional Scan (FTI), Relevance to Nova Scotia, and Figure 5 on PDF page 23 of 28,

which states:

Relevance to Nova Scotia

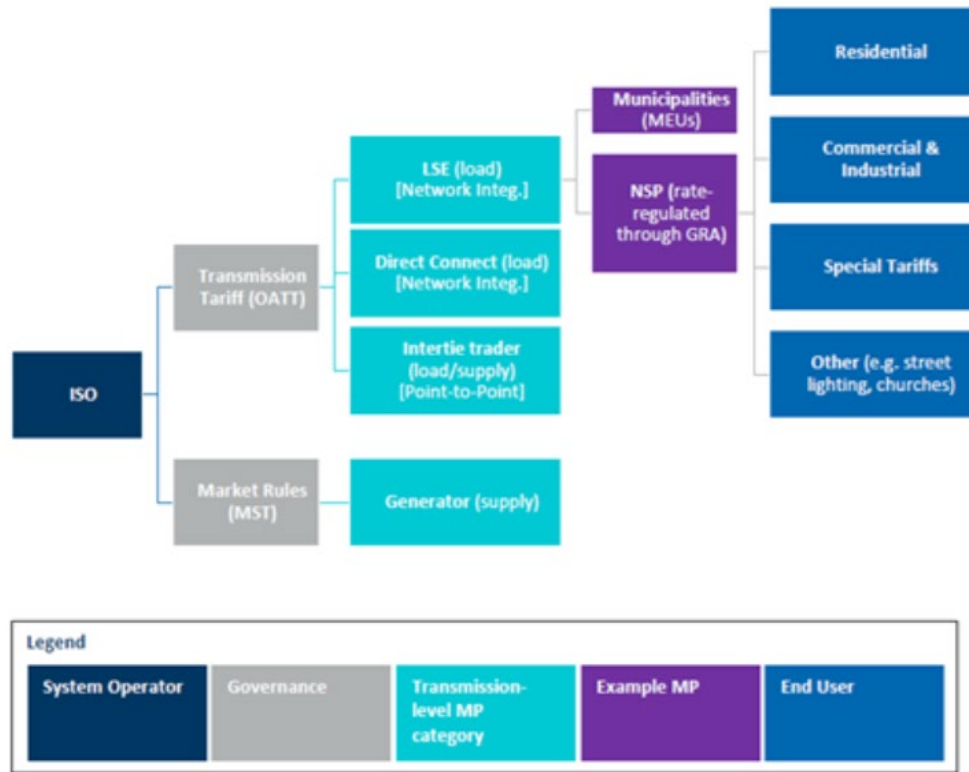
The market participants in Figure 5 represent those applicable across the various benchmarking group ISOs described above. Because many of those grids run wholesale energy and other markets not present in Nova Scotia, only a subset of these MPs is relevant for consideration of applying the findings of the jurisdictional scan above to Nova Scotia. This figure will provide context for considering how the IESO in Nova Scotia may consider designing its own charging mechanism.”

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Figure 5: Potential IESO market participants



- a) Please provide a current list of the entities that IESO-NS serves in each of the categories shown in the turquoise and purple colored boxes in Figure 5 above.
- b) Which of these market participant categories currently include:
- i) NSPEMI?
 - ii) Entities that currently, or may in the future, request to wheel power through IESO-NS's grid?
- c) Does the More Access to Energy Act currently allow IESO-NS to offer wheeling, ancillary or day-ahead procurement options for market participants today and if so, are

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the expected revenues from these services included in the 2026/2027 revenue requirement?

d) How does IESO-NS plan to evaluate the financial and performance capacity of existing and new market participants?

e) Does IESO-NS currently have plans to require participants to post financial assurances to guarantee market settlement? If so, would they be in the form of cash deposits or letters of credit?

Response IR - 4

a) Broadly speaking, IESO Nova Scotia services virtually all users of the Nova Scotia electricity system under its current Phase 1 functions, with the exception of intertie traders. Intertie traders are subject to fees under the OATT, which at present is not under IESO Nova Scotia ownership as noted in the Application. Market participants in Nova Scotia are defined under the NSPSO Accredited Market Participant list which is comprised mostly of Load Serving Entities (i.e. the purple boxes in the graphic): https://www.nspower.ca/docs/default-source/monthly-reports/accredited-market-participants.pdf?sfvrsn=24c29176_11. The Accredited Market Participant list defines the classes of market participation. The link provided also lists three market participants who

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41 are only in the Transmission Customer category; these would align to the Intertie Trader
42 teal box.

43
44 b) i) NS Power Energy Marketing Incorporated is not an accredited market participant and so
45 does not fall under the categories noted in Figure 5 above. As they are a subsidiary of NS
46 Power, it is assumed they would utilize NS Power's status as a Transmission Customer
47 under its accredited market participant status.

48
49 ii) Please refer to the Accredited Market Participant list in part a). Those entities would
50 include HQ Energy Marketing and Nalcor Energy. These would be grouped in the Intertie
51 Trader teal box of the referenced graphic.

52
53 c) d) e) Relevant sections of the More Access to Energy Act are not yet proclaimed and are
54 not currently an IESO Nova Scotia function.

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Request IR - 5

Refer to M13007, Exhibit N-1, Application, Section 4.2 The Proposed Fee Recovery Mechanism, which includes descriptions of Revenue Requirement True-Up Option 1 on pages 29-30 of 48 and Option 2, on pages 30-33 of 48. And refer also to Exhibit N-1(iii) Appendix 3 Fee Calculation Model – Excel, tabs “Fee Recovery Calculation” and “Illust. True-Up (Compliance)”. See also, Exhibit N-1, Application, at the top of page 33 of 48, at lines 1-4, and Footnote 14 at the bottom of the page,

a) Please provide IESO-NS’s unaudited financial statement as of March 31, 2026 that was included in M12663 as the response by IESO-NS to Undertaking U-5.

b) Please refer to IESO-NS response in matter M12663, Exhibit N-18, Undertaking U-5, Attachment 01, which shows that the under-spend occurred in three expense categories: *Administration Salaries and Wages; NSPI Employee Transfers and IRP Co; and Facilities and Technology.*

a. Has the amount of under-spend either in total or in any of these three individual categories changed since March 31, 2026? If so, please explain.

b. Referring to IESO-NS’s description, on page 32 of 48, at lines 9-10 of the Application, that one of the benefits of the compliance filing is that “(I)n the event of an under-recovery of IESO Nova Scotia’s revenue requirement, the corresponding earlier collection from LSEs reduces carrying-costs”, did the response to U-5 in matter M12663, Exhibit N-18, include any carrying-costs?

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c. Where in IESO-NS's revenue requirements filing and unaudited or audited financial statements would carrying costs be reported?

c) Please provide an update as to the expenses incurred by IESO-NS for the fiscal year 2026/2027 as of the date of these IRs.

d) If carrying-costs are to be calculated in the Revenue Requirements Deferral and Variance Mechanism (DVM), please provide an illustrative example showing the true-up amount detail including carrying costs.

e) Are there any costs under Section 29 of the More Access to Energy Act that are to be allocated or charged to entities other than LSEs? If so, will the proposed true-up mechanism(s) apply to other market participants besides LSEs? If not, please explain how IESO-NS will verify that non-LSE costs are fully recovered?

Response IR - 5

a) Please refer to Attachment 1 which includes the draft numbers provided in M12663 Undertaking U-5. IESO Nova Scotia's audited financial statements will be made available in its Annual Report, to be submitted to the NSEB by September 30, 2026.

b) a. Yes. Please refer to Attachment 2 which compares the draft variance provided under M12663 Undertaking U-5 as noted in part a) above to final audited financials. The cost category "NSPI Employee Transfers and IRP Consulting" has changed from the draft provided in M12663 Undertaking U-5. This cost category includes within it the recovery

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of direct interconnection costs which were adjusted in the final numbers as compared to the draft provided. The overall final variance for 2025/2026 Revenue Requirement has been further adjusted from figures provided in M12663 Undertaking U-5 for components of amortization costs that relate to; (1) costs not claimed in the revenue requirement (2) an adjustment to convert from the IFRS method of recording office lease costs to the cash basis method that had been included in the revenue requirement. The final difference in spending from the approved revenue requirement is \$343k less than the approved amount versus \$314k less than the approved amount as shown in M12663 U-5.

b. Yes. Under the Finance cost category.

c. Under the Finance cost category.

c) IESO Nova Scotia respectfully submits this question is outside the scope of this Application and proceeding. Material changes in costs or unexpected costs related to IESO Nova Scotia's revenue requirement are provided in IESO Nova Scotia's quarterly reporting. Variances for each fiscal year would be provided in either FY3 application or in a FY2 compliance filing as proposed under the fee recovery mechanism True-Up Options 1 and 2 respectively.

d) IESO Nova Scotia is not proposing to apply carrying costs to the DVM. Please refer to CA IR-5.

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61 e) No. To clarify, IESO Nova Scotia's proposed fee recovery mechanism is designed to fully
62 recover its revenue requirement, not the costs of market participants, irrespective of which
63 market participants are subject to IESO Nova Scotia fees. LSEs were chosen as the
64 applicable market participants subject to IESO Nova Scotia fees for the reasons set-out in
65 the Application and section 3.3 in particular.

IESO Nova Scotia
March 31, 2026
DRAFT

	2025/26 Revenue Application Budget	March 31, 2026 Actual	Actual-Budget (Under)/Over Diff	% (Under) / Over Budget
Administration Salaries and Wages	\$ 1,572,751	\$ 1,047,767	-524,984	-33%
NSPI Employee Transfers and IRP Consu	1,613,427	732,165	-881,262	-55%
Facilities and Technology	1,005,532	881,157	-124,375	-12%
Corporate Administration	287,000	358,986	71,986	25.1%
Procurement	985,844	1,044,647	58,803	6%
Legal and Regulatory	813,121	919,778	106,657	13.1%
Governance	520,200	571,909	51,709	9.9%
Finance	160,943	175,899	14,956	9%
Transition and Operational Planning	1,022,505	1,783,259	760,754	74%
Amortization expense		151,916		
TOTAL	7,981,323	7,667,482	-313,841	-4%
Less: Government Funding	-2,675,000	-2,675,000		
Net Revenue Application	5,306,323	4,992,482	-313,841	-6%

IESO Nova Scotia

	DRAFT As provided in M12663 Undertaking U-5		Final - Audit		
	2025/26 Revenue Application Budget	March 31, 2026 Actual	March 31, 2026 Final	Actual-Budget (Under)/Over Diff	% (Under) / Over Budget
Administration Salaries and Wages	\$ 1,572,751	\$ 1,047,767	1,047,767	(524,984)	-33%
NSPI Employee Transfers and IRP Consu	1,613,427	732,165	808,696	(804,730)	-50%
Facilities and Technology	1,005,532	881,157	881,157	(124,375)	-12%
Corporate Administration	287,000	358,986	358,986	71,986	25%
Procurement	985,844	1,044,647	1,044,647	58,803	6%
Legal and Regulatory	813,121	919,778	919,778	106,657	13%
Governance	520,200	571,909	571,909	51,709	10%
Finance	160,943	175,899	175,899	14,956	9%
Transition and Operational Planning	1,022,505	1,783,259	1,783,259	760,754	74%
Amortization expense		151,916	151,916	151,916	
TOTAL	7,981,323	7,667,482	7,744,013	(237,309)	-3%
Less: Government Funding	(2,675,000)	(2,675,000)	(2,675,000)		
Net Revenue Application	5,306,323	4,992,482	5,069,013	(237,309)	
Less: Amortization of capital costs not included in OM&A revenue application				(84,877)	
Less: IFRS adjustment for lease accounting versus revenue application basis				(20,741)	
Difference from approved Revenue application (under)/over				(342,927)	

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Request IR - 6

Refer to M13007, Exhibit N-1, Application, Section 4.2 The Proposed Fee Recovery Mechanism, which includes Figures 10 and Figure 12, illustrating the timeline for Revenue Requirement True-Up Option 1 and Option 2, on pages. 33-36 of 48. Please also refer to the process for “Load Allocation Adjustment” which is illustrated in Figures 11 and 13 as happening during FY2 and that LSEs will be required to provide their actual load served data to IESO-NS within 60 days of the end of each fiscal year to complete this adjustment. (Exhibit N-1, Application, on page 33 of 48, at lines 11-12.)

a) How will the timelines shown in the Figures 11 and 13 be impacted if one or more of the LSEs does not meet the 60 day deadline?

b) How will IESO-NS verify the reporting by the LSEs as to their actual load?

c) What is the consequence for an LSE missing this deadline, i.e., does IESO-NS have the authority to impose a penalty to incentivize prompt reporting? If so, what is the source of this authority?

d) How will IESO-NS confirm if the market participant is an LSE for part of its load and a direct connected load for the remainder?

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Response IR - 6

a) The timeline in Figure 11 corresponding to True-Up Option 1 would not be materially impacted as the application for Trued-Up variances occurs in December of FY2 under the FY3 revenue requirement application. Actual FY1 load figures from LSEs would be required by IESO Nova Scotia reasonably in advance of the December filing for calculation and vetting of trued-up fees.

The timeline in Figure 13 corresponding to True-Up Option 2 may be materially impacted as the applied for Trued-Up variances occurs approximately in July/August of FY2 under the FY2 revenue requirement application compliance filing. Actual FY1 load figures from LSEs would be required by IESO Nova Scotia reasonably in advance of the July/August compliance filing for calculation and vetting of trued-up fees.

b) Please refer to NSEB IR-13 part e).

c) Please refer to part a). IESO Nova Scotia has penalty making powers under the MAEA, however none of been proposed under the Application, and it is undetermined at this time whether such penalty powers will apply to this circumstance.

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- 37 d) Please refer to SBA IR-5 part e). The load allocation is based on LSEs load served to its
38 customers irrespective of the source of generation used by each LSE.

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1 **Request IR - 7**

- 2 a) Has IESO-NS performed an analysis on the bill impact for ratepayers based on the
3 proposed fee recovery mechanism being proposed?
4 b) If so, please provide, with as much detail as possible.

5 **Response IR - 7**

- 6 a) Yes.
7
8 b) Please refer to IG-IR-01 Attachment 1.

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Request IR - 8

Refer to M13007, Exhibit N-1, Application, Page 10 of 48, Lines 18-20, it states:

ISO Core Costs consist of (i) ‘inseparable costs’ incurred for activities that do not have an easily identifiable beneficiary, and (ii) ‘direct costs’ attributable to an identifiable beneficiary or user.

Then on Page 13 of 48, Lines 7-8, it states:

System planning and procurement activities do not have individual direct beneficiaries other than for interconnection studies.

However, on Page 11 of 48, Figure 3: ISO Core Costs Flow Chart, it has Interconnection Studies under Core Costs.

a) If the costs for Interconnection Studies are reimbursed by the direct beneficiaries, why are they included in Core Costs?

b) What happens if the Interconnection Study costs are incurred in a different fiscal year than when the direct beneficiaries provide payment?

Response IR - 8

a) Figure 3 further delineates “Core Costs” into two subcategories: Direct Costs and Inseparable Core Costs. Core Costs are the internal costs of an ISO. Inseparable Core Costs are internal costs of the ISO with no direct beneficiary. Direct Costs are another type of

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21 Core Cost, however these do have clear beneficiaries (e.g., interconnection studies). This
22 is illustrated in Appendix 1, FTI Jurisdictional Scan, Figure 4. The relationship between
23 these concepts is that while ‘direct costs’ are ISO Core costs, they are not recovered via
24 the ISO Tariff (charged across market participants) because they can be charged directly
25 to the beneficiaries of those direct costs.

26
27 b) Any variances in costs would be recorded in IESO Nova Scotia’s Net Revenue
28 Requirement Deferral and Variance Mechanism (DVM) proposed under M12663. The
29 variances in turn would be trued-up in fees through the proposed fee recovery mechanism.

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Request IR - 9

Refer to M13007, Exhibit N-1, Application, Page 31 of 48, Lines 12-15

- a) There is reference to carrying costs for under-recovery, but what would happen if there was over-recovery?

Response IR – 9

- a) In the event of an over-recovery, IESO Nova Scotia may earn interest revenue, or avoid interest expense, as a result of the over-recovered amounts. In this case, interest would be reflected in IESO Nova Scotia's accounts, and effectively returned to LSEs through the DVM. Please also refer to CA IR-5.

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1 **Request IR - 10**

2 Refer to M13007, Exhibit N-1, Application, Page 33 of 48, Line 11:

3 a) What fiscal year is being referred to – IESO-NS' or the LSE's?

4

5 **Response IR - 10**

6

7 a) Please refer to NSEB IR-13 part a).

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Request IR - 11

Refer to M13007, Exhibit N-1, Application, Page 34 of 48, Lines 8-9

- a) If the payments are made by LSEs based on forecasted load, should the true-up not also be based on forecasted load? Or is the true-up referred to here, with respect to over or under recovery, intended to take place after the LSEs have provided their actual load and the true-up in that area has already been completed?

Response IR – 11

- a) The true-up is intended to take place after the LSEs have provided their actual load. The true-up and load allocation adjustment for a given prior year are intended to be applied at the same time such that the combined adjustment reflects actual loads and the actual revenue requirement for the same prior year.

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Request IR - 12

Refer to M13007, Exhibit N-1, Application, Page 45 of 48:

- a) Please explain the difference between Request 3, Lines 3-4 and Request 1, Lines 15-17, where Request 3 states:

An effective date of December 1, 2026, or as soon as the Board's decision may reasonably permit, and an end date of March 31, 2027

and Request 1 states:

Directing the LSEs noted above to begin paying, no later than December 31, 2026, monthly payments to IESO Nova Scotia in the amount described above, exclusive of applicable taxes, with such payments being made effective December 1, 2026.

- b) On Lines 9-12, it refers to fees as noted in Figures 12 and 13 above, but Figures 12 and 13 on Page 36 of 48 refer to Option 2 and timing, not fees. Please confirm if that is the correct reference.

Response IR - 12

- a) Board approval request 3 should be read in conjunction with NSEB Order request 1 and 2. These requests collectively establish payments from LSEs to begin in December and end in March for the amounts sought during that period.

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- 25 b) This is a typographical error. The correct figure references are Figures 16 and 17.