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Delivered by Email

Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
PO Box 1692, Unit M
Halifax, NS B3J 3S3

Dear Ms. Henwood:

Re: M13113 - IESO-NS - Annual Report for fiscal year 2025-2026

These comments are submitted on behalf of the Industrial Group (the "**IG**") in respect of the IESO-NS Annual Report for fiscal year 2025-2026 (the "Report"). The IG's comments are directed toward improving transparency, accountability and customer oversight of IESO-NS's activities. In particular, the IG seeks additional information and reconciliations to permit a clear understanding of IESO-NS's financial performance, the recovery of its costs, the net impact of those costs on customers, the basis for procurement decisions and commitments, and the governance framework under which those decisions are being made. The IG also recommends enhancements to future Annual Reports to provide consistent, measurable and repeatable reporting on spending, customer benefits, procurement activities, risks and cost recovery, to enable the Board and ratepayers to assess whether IESO-NS is delivering services efficiently, prudently and in the best interests of customers.

The IG's comments address four areas: (1) financial performance and revenue recovery; (2) benefits to customers; (3) procurement; and (4) procurement governance.

1. Financial Performance and Revenue Recovery

a. Budget Performance

IESO-NS reports adjusted net expenses of $4.963 million, or $0.344 million under its $5.307 million net revenue requirement.[1] This is a net-to-net comparison only. In M12412, the Board approved gross OM&A of $6,751,287, which was reduced to a net amount of $5,306,824 after provincial funding. The Report does not compare actual operating expenditures to the approved gross OM&A budget making it unclear whether the reported underspend reflects lower spending, the effect of provincial funding or other adjustments. The IG therefore requests a reconciliation showing actual and approved operating expenditures on a like-for-like basis, separate from funding and other accounting adjustments, so that spending performance can be assessed directly.

[1] Report p 28.

The Report also states that the underspend represents approximately 4% of total planned spending of $8.519 million,[2] which includes the net revenue requirement, provincial grants and estimated interconnection work. By contrast, the same $0.344 million is approximately 6.5% of the approved net revenue requirement. To make these different comparisons interpretable, the IG requests a reconciliation identifying each denominator, the treatment of grants and what the reported percentage measures.

The original revenue requirement application forecast rounded gross OM&A of $7.98 million,[3] including transition costs, while audited IFRS expenses total $8.217 million.[4] The Report separately identifies procurement costs of $1.045 million, legal and regulatory costs of $0.920 million, governance costs of $0.572 million, and consulting and professional fees of $0.945 million.[5] The IG requests a category-level reconciliation mapping these expenses to the approved budget categories and explaining adjustments between the forecast and IFRS presentations. A common classification and accounting basis is necessary to distinguish true spending variances from accounting differences.

Finally, an aggregate net underspend does not distinguish whether savings are permanent or simply deferred to a later year. The IG requests that the supplemental disclosure and future Annual Reports present both the net regulatory underspend and category-level spending, with explanations for positive and negative variances exceeding 10%. These explanations should identify principal drivers, including efficiencies, vacancy savings, deferred work, scope changes or other causes, so that the Board and ratepayers can assess the sustainability of reported savings and the potential implications for future revenue requirements.

b. Deferred Recovery, Interim Fees and Customer Impact

IESO-NS reports a regulatory underspend alongside an audited net comprehensive loss and deficit of $3.169 million.[6] It records $1.9 million of rate recovery revenue in 2025-2026, based on the interim fee of $0.95 million per month from February 2026, with the remaining shortfall being collected and reported in 2026-2027. The IG requests a reconciliation of the regulatory and IFRS results identifying the effect of revenue-recognition timing, so that the reported loss can be distinguished from a cost overrun and the amount remaining for recovery can be traced.

That reconciliation should address the Report's revenue shortfall of $3.04 million and the apparent $3.407 million difference between the approved $5.307 million and recognized rate recovery revenue of $1.9 million. It should also explain how the $2.166 million year-end receivable for interim temporary financial relief relates to Note 6,[7] which states that the $950,000 monthly interim fee was effective February 1, 2026, but payments did not commence until April 1, 2026. The Report separately identifies $6.0 million drawn on the provincial line of credit at 2.22% per annum,

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2 Report p. 28.

3 Matter M12412, N-1(i).

4 Report, p. 29.

5 Report, p 34, Audited Financial Statements.

6 Report, p. 29.

7 Report, p. 46.

$31,000 of accrued interest and a $6.031 million balance owing.[8] These disclosures require a common reconciliation to establish the outstanding amounts and their recovery timing.

The IG seeks to understand the combined customer impact of the underspend, deferred recovery, outstanding interim payments and all associated interest, financing and carrying costs, including amounts owing to NSPI or any other party. Ratepayers should be able to identify when interim payments were or will be received, and from whom; the net amount customers will bear; and the proposed revenue requirement treatment of each amount. If this information has been provided in another proceeding, this should be clarified. Quantifying the resulting net customer benefit and identifying the proceeding in which the proposed treatment will be sought would allow the Board and customers to assess whether financing costs offset the underspend and how its benefit will be delivered.

To make recovery traceable across fiscal years, the IG recommends that future Annual Reports include a schedule for each fiscal year showing the approved revenue requirement, amounts billed, collected and recognized as revenue under IFRS, amounts deferred or outstanding, and all interest, financing and carrying costs, together with the customer group or market participant responsible for each. This would show the cumulative amount customers will bear and the timing of its recovery in one place.

2. Benefits to Customers

The Report states that the New Brunswick capacity arrangement is more cost-effective than developing an equivalent resource in Nova Scotia and describes fast-acting generation as "the most cost-effective" means of maintaining reliability. However, the Report provides no supporting analysis, quantified savings, or identified comparators. As a result, customers and the Board cannot assess the magnitude of the claimed benefits or weigh those benefits against the costs they bear. The IG therefore requests that IESO-NS provide the evidentiary basis for these claims and quantify the value realized to date and expected from reliability improvements, competitive procurement, independent system operation, and cost-management initiatives.

The Ontario IESO 2025 Annual Report provides a useful model for accountability reporting. It includes quantified reporting of procurement savings, contract cost comparisons, peak-demand reductions and operating-cost savings.[9] The IG recommends that future IESO-NS Annual Reports adopt a similar performance- based framework that reports measurable outcomes, rather than activities and milestones alone.

Specifically, the IG recommends a corporate scorecard containing consistent measures, baselines, targets, actual results, and explanations for material variances. The framework should distinguish forecast benefits from realized benefits and enable year-over-year assessment of whether intended customer outcomes are being achieved. At a minimum, the scorecard should include procurement savings relative to stated comparators; reliability performance using defined system-level measures; peak-demand reductions and operating-cost savings; interconnection-processing performance and customer benefits; and the net incremental cost of operating an

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8 Report, p. 49.

9 Ontario IESO 2025 Annual Report, pp. 14-21: https://www.ieso.ca/en/Sector-Participants/IESO-News/2026/05/The-IESO-2025-Annual-Report-is-Now-Available

independent system operator. The latter measure should account for start-up and ongoing IESO-NS costs, costs removed from NSPI's revenue requirement, and any residual or duplicated costs, so that customer value is assessed on a net rather than gross basis.

3. Procurement

The Report identifies an agreement for 100 MW of New Brunswick capacity and preparations for one or two 300 MW fast-acting facilities in Pictou County However, it does not explain how these options compare with reasonable alternatives. The Report characterizes the New Brunswick arrangement as the fastest and lowest-cost option and advances a particular mix of batteries, fuel conversions, and new gas-fired generation, but provides no comparative analysis to support those conclusions. The IG therefore requests that IESO-NS provide, or identify, the analyses and assumptions underlying these decisions so that the least-cost basis for the proposed commitments can be assessed.

These projects are advancing before completion of IESO-NS's inaugural IRP. The IG therefore recommends that future procurement reporting identify the planning documents, studies, assumptions, and urgency considerations relied upon for each material procurement, together with an explanation of how the commitment remains consistent with the developing IRP. The disclosure should also explain the transitional planning framework under section 10(3) of the *More Access to Energy Act*, the relevance of the most recent NSPI IRP update, and how the requirements of sections 10 and 11 have been addressed. This would provide transparency regarding the planning basis for commitments made before the IRP is finalized.

For the New Brunswick Arrangement, Note 14 reports a $37.5 million bank demand facility, provincial guarantee and IESO indemnity, including repayment over five years if the Province pays under the guarantee.[10] Note 16 reports a US$12.3 million standby letter of credit issued in January 2026, while the chronology identifies a February 2, 2026, term sheet for 100 MW for ten years starting as early as 2028.[11] The IG requests an explanation of how the term sheet, backstop agreement, letter of credit, guarantee and indemnity fit together, including how the letter of credit relates to the description of the facility as undrawn. This would distinguish amounts drawn from security provided and contingent repayment obligations.

In addition, IESO-NS should also explain the circumstances in which obligations may arise if NB Power does not meet certain obligations and the protections for Nova Scotia customers. Subject to protection of commercially sensitive details, the existence, nature and scale of customer risk should remain publicly available. A comprehensive project-status update should address the impact, if any, of the ongoing Judicial Review in New Brunswick on the reported commitments, timing and customer risk.

For the Nova Scotia projects, the Report identifies $1.623 million of construction in progress for preparation of two Pictou County sites, while the procurement contemplates one or two facilities.[12] The IG requests forecast project budgets, the purpose and ownership of the site-development work, the treatment of any resulting proceeds, and the customer implications if one or neither

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10 Report, p. 49, Note 14 (b).

11 Report, p. 50, Note 16.

12 Report, p. 47, Note 9.

facility proceeds. This information is necessary to assess the total expected commitment and the risk of stranded or unrecoverable development costs.

4. Procurement Governance

The Board's directions in Matter M12663 require IESO-NS to file, by July 2, 2027, procurement policies for operating costs and energy resource supply agreements, together with cost-allocation guidelines for sections 29 and 30 of the *More Access to Energy Act*.[13] The Report describes procurement activity already underway but does not establish progress toward those filings or identify the policies governing existing commitments. The IG requests an implementation update and identification of the interim policies applicable when commitments were made. Future Annual Reports should track implementation and identify changes upon completion of the mandated policies, distinguishing the governance of earlier decisions from the policies adopted subsequently.

In addition, the disclosed procurement expenditures, site-development capital and financing and security obligations do not establish the recovery route for each type of cost. The IG recommends that IESO-NS identify those recovery routes, separately showing pre-contract operational procurement costs proposed for recovery under section 29, consistent with the Board's decision. Future Annual Reports should distinguish pre-contract administration, post-contract administration, supply-contract payments, site-development capital, and security and financing obligations for each procurement. This would trace costs to their proposed recovery mechanisms and guard against duplicate recovery: the same cost must not be included in both sections 29 and 30 recovery streams or separately recovered from a project proponent without an appropriate credit.

The term sheet, security arrangements and site-development work also indicate commitments at different stages without establishing which are binding or how they relate to Board approval. IESO-NS should identify the existing binding commitments, intended approval sequence and expected timing of applications under section 30, and update that information in future Annual Reports. Where no Board approval will be sought, it should state that explicitly. This would distinguish commitments already undertaken from proposed expenditures and clarify when the Board will be asked to review the associated recovery.

Conclusion

In summary, the IG requests that IESO-NS provide further information and clarification regarding:

1. budget performance, including reconciliations of approved, actual and reported spending on consistent gross, net and category-level bases;
2. the relationship between the reported regulatory underspend, deferred revenue recovery, interim funding arrangements, financing and carrying costs, and the resulting net impact on customers;
3. the evidentiary basis and quantification of claimed customer benefits;
4. the comparative analyses, planning rationale, commercial arrangements, customer risks and cost exposures associated with the New Brunswick capacity arrangement and the Pictou County projects; and

[13] 2026 NSEB 25, at para 146.

5. the governance, policy framework, approval pathway and cost-recovery treatment applicable to procurement activities and commitments.

These disclosures are necessary to permit meaningful assessment of IESO-NS's spending, performance, procurement decisions and impacts on ratepayers.

The IG further recommends that:

6. future Annual Reports adopt a more comprehensive and consistent accountability framework. This should include:

(i) recurring reconciliations of approved and actual expenditures;
(ii) annual schedules tracking revenue recovery,
(iii) financing costs and customer impacts across fiscal years;
(iv) quantified reporting of customer benefits using defined performance measures and targets;
(v) enhanced disclosure regarding procurement planning, risks and commitments; and
(vi) transparent reporting of procurement governance, policy implementation and cost-recovery mechanisms.

Together, these measures would improve transparency, support effective regulatory oversight, and enable customers to assess whether IESO-NS is delivering measurable value at an appropriate cost.

Thank you for the opportunity to provide these recommendations.

Yours truly,



Nancy G. Rubin



Brianne E. Rudderham

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c. Participants in M13113