



**High Yields,
Investment-Grade
Credits?** Some Thoughts
on the Return Arbitrage of
Financializing Canadian
Transmission Line
Infrastructure

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EXECUTIVE SUMMARY:

Power lines, substations, and high-voltage towers require permanent rights-of-way and land access, usually secured through long-term easements and leases. This untapped asset class offers investors an intriguing opportunity: stable, high yield, inflation-protected cash flows from investment-grade counterparties. If suitably experienced aggregators were able to acquire these income streams at approximately 8x multiples from land-owners, this would generate unlevered yields of >12%. In addition, a natural exit/liquidity strategy exists. Utilities may be willing to repurchase easement portfolios to extinguish the ongoing (quasi-perpetual) costs if implied yields in such transactions are above their debt cost of capital. The result would be incremental equity style returns while enjoying attractive cash flow during the aggregation period.

BACKGROUND:

Transmission infrastructure in Canada is primarily owned and operated by utilities – both private and provincial Crown corporations – managing extensive networks of transmission lines that are critical to the national grid. Instead of purchasing all required land outright, they typically negotiate easements/leases, which grant permanent rights-of-way across farmland or rural properties, and tower footing leases, which provide recurring payments for the footprint of each tower. This approach is like other Canadian infrastructure models, including pipeline rights-of-way, telecom tower ground leases, and renewable energy land leases.

TRANSMISSION EASEMENTS:

For investors, these easements and leases are attractive because they combine the permanence of real estate rights linked to extremely long duration (perhaps quasi perpetual) infrastructure:

- Quasi-Evergreen demand – Once a corridor is established, it remains in use for decades, often in perpetuity. Easements are “locked in” for as long as power flows across the grid.
- High barriers to new corridors – Developing new rights-of-way is increasingly difficult, requiring regulatory approvals, environmental assessments, and negotiations with hundreds of landowners. Existing easements therefore gain strategic value over time.
- Inflation protection & stability – Many agreements include CPI-linked escalators. Payments are contractual, government-regulated, and backed by provincial Crown corporations—creating durable, investment-grade cash flows.
- Structural electricity growth – Canada’s path to net-zero, coupled with electrification of transportation, industry, and digital infrastructure, ensures sustained demand for transmission expansion. New renewable generation—often remote from cities—requires long-haul lines that must cross private land.

This makes transmission tower easements and leases a rare form of quasi-evergreen infrastructure: their use is effectively permanent, their cash flows are stable and usually inflation linked, and their strategic value grows as Canada’s electricity demand rises. Much like pipeline rights-of-way or telecom tower ground leases, they represent a proven asset class that institutions already understand.

INVESTMENT OPPORTUNITY:

The opportunity in Canadian transmission easements is attractive for several reasons. First, the counterparties typically enjoy investment grade credit ratings, often in the A range or higher. Second, the yield profile is promising, assuming payments streams are available for acquisition at around 8x, they could produce yields of >12%. Third, an exit multiple expansion may be possible, as utilities may find it accretive to buy back portfolios at implied yields above their cost of debt capital. This creates the potential to generate additional equity style returns over time. Finally, these assets often provide inflation protection through CPI-linked escalation clauses and are structured as long-term agreements with durations of thirty to fifty years or more.



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The growth drivers behind this opportunity are equally sound. Canada's, like most G7 nations, requires a large transmission buildout to keep pace with forecast electricity demand. Renewable integration, from wind projects in the Prairies and Atlantic provinces to solar farms in Alberta and Ontario, requires new long-haul connections to load centers. Electrification across sectors, including transportation, data centers, and industrial applications, further increases demand. Provincial utilities are already investing heavily in transmission expansions, such as Hydro-Québec's intertie projects with New England and Hydro One's network upgrades in Northern Ontario to support the mining corridor.

CHALLENGES IN EXECUTION:

While the financial and strategic rationale for investing in Canadian transmission easements is promising, the greatest challenge lies in execution. Transmission corridors often traverse hundreds of kilometers of rural land, with towers and rights-of-way crossing dozens or even hundreds of privately owned parcels.

As a result, accessing these cash flow rights will require many smaller acquisitions, negotiated on a parcel-by-parcel basis. Unlike purchasing a single large infrastructure asset, investors must design a strategy that can, cost-effectively, aggregate easement income streams across many small holders. Success in this model depends heavily on relationships and access. Farmers and landowners are generally cautious counterparties who value trust, transparency, and long-term reliability. Investors without credibility in agricultural communities may find it difficult to convince owners to sell their payment rights. Having a reputation as a fair and dependable partner is therefore essential.

Finally, to achieve institutional scale, these fragmented acquisitions must be bundled into larger portfolios. This aggregation is the only way to attract utility buybacks, securitizations, or potential REIT-style exits. The challenge, then, is twofold: first, to establish a cost-effective acquisition process that can handle many small transactions, and second, to cultivate strong relationships with landowners that open doors to ongoing deal flow.

MONETIZING CASH FLOWS:

Instead of selling the easement or lease itself (an interest in land that runs with the property), the landowner sells, for a lump sum, the right to receive future payments. In Canada, this structure is well established in the cell tower sector and is now beginning to emerge in the utility easement context. The property owner signs an assignment agreement under which the purchaser acquires the right to receive the future income stream. Title to the land remains with the owner; only the income is assigned. Because the investor does not hold the easement or lease, registration of the assignment on title merely protects their contractual right to collect payments; it does not create an interest in land.

However, a properly drafted assignment of rents allows the purchaser, in the event of a landowner default, to step in and collect rent directly from the utility, ensuring the ultimate counterparty risk remains with the regulated utility operator. The assignment structure is critically important as it mitigates landlord credit risk by allowing direct payment from utilities and converts the counterparty risk to the credit risk of the utility (all provincial counterparties are investment grade – see table Key Data section).

KEY EXECUTION SKILLS:

Successful participation in the Canadian transmission easement market requires more than access to capital. Because this remains a fragmented and unfinancialized space, execution capabilities become the key determinate of success. Three skill sets stand out as critical to building scalable, defensible advantage:

- **Relationships in the Farming and Rural Community:** Most easements/leases are held by farming families. These landowners value trust, transparency, and reliability. Investors must build credibility by engaging respectfully, communicating clearly, and demonstrating long-term alignment.
- **Scalable, Automated Transaction Systems:** Aggregating these rights will require thousands of small, repetitive transactions. Purely manual execution would be costly and time-consuming. Investors must therefore be able to design digital platforms and standardized processes to streamline due diligence, documentation, and registration. Automation must be used to reduce cost per transaction, shorten cycle times, and make aggregation at scale economically viable.
- **Advanced Data Analysis and Screening:** Not all payment streams are equal. Transaction value depends on location, counterparty utility, line type, and contractual features. Effective investors will need to apply data-driven screening tools to prioritize parcels with the strongest economics. Geographic information systems (GIS), land registry datasets, and automated valuation models can identify high-value clusters and optimize acquisition targeting. Integrating deal-flow screening with automated contracting tools will be necessary to create a seamless pipeline from identification through execution.

Together, these skills – community trust, process automation, and data-driven targeting – form the foundation of an institutional platform. They would allow investors not only to reduce friction in individual transactions but also to unlock the efficiencies required to financialise a fragmented market into a liquid, investable asset class.

ILLUSTRATIVE RETURN AND AGGREGATION ECONOMICS:

To illustrate the return potential of acquiring transmission or tower lease payment rights, consider the following simplified example. Assumptions:

- Annual lease payment: \$1,000
- Purchase price: 8x multiple (implied yield of 12.5%)
- Holding period: 5 years
- Exit sale to utility at an implied 6% yield ($\approx 16.7x$ multiple – utility cost of debt $< 5\%$)
- Annualized IRR: $\approx 26\%$

Consider a portfolio of 5,000 tower footings, each paying \$1,000 annually.

- Gross rental income = \$5 million/year
- Acquired at 8x cash flow = \$40 million purchase price
- Exit at 6% yield = \$83 million resale value

POTENTIAL INVESTMENT MODELS:

Land lease agreements in wind and solar development and cell towers, such as those in Ontario, Alberta, and Saskatchewan, have already attracted institutional capital. Brookfield and other large investors have acquired such portfolios, demonstrating the scalability of infrastructure-related land cash flows. Several approaches could be employed in the electrical transmission space:

- Direct acquisition – investors purchase lease rights from farmers and rural landowners.
- PE-style aggregation platforms – consolidate leases across provinces to build institutional scale, improving liquidity and valuation. This infrastructure fund model could position transmission easements as a complementary asset alongside established strategies in pipelines and renewables.
- REIT-style model – aggregate easements into a publicly traded vehicle, offering liquidity and attracting retail investors, similar to renewable energy land lease funds.
- Structured bond model – assignment rights from a pool of easements could be packaged into a securitized instrument. Similar to mortgage-backed securities or infrastructure-backed bonds, the easement cash flows would support coupon payments to investors.

Finally, if pursued, the utility buyback strategy would appear to offer the highest return profile, as investors acquire easement/lease cash flows at yields representing high yield risk and later sell them back to utilities at yield representing investment grade risk, this rate arbitrage would drive significant returns. Importantly, utilities would benefit from such buybacks as long as the acquisition cost remained above their regulated cost of debt capital.

CONCLUSION:

Canadian transmission easements and tower footing leases represent a rare convergence of double-digit cash yields, government-backed credit quality in most Canadian provinces (and generally investment grade in all Canadian provinces), and meaningful capital gain potential. Acquiring these cash flow rights at approximately 8x annual income generates attractive unlevered run-rate returns, while resale to utilities at 6%-7% implied yields would offer investors additional equity returns. This niche mirrors successful aggregation strategies that have taken place in cell towers and pipelines. Unlike those strategies, Canadian transmission easements/lease may offer a rare blend of high yields, investment-grade stability, and growth tied to buybacks.

KEY DATA:

Table 1: Overview of Transmission Infrastructure in Canada – Number of Towers

| Jurisdiction | Transmission Line Length | Estimated Towers |
|--|--|-------------------------|
| Canada (total) | ~430,000 km (high-voltage) | ~1.1–1.3 million towers |
| British Columbia (BC Hydro) | ~18,286 km | ~45,000–55,000 towers |
| Québec (Hydro-Québec) | ~34,187 km | ~85,000–100,000 towers |
| Manitoba (MB Hydro) | ~9,000 km AC + 1,384 km HVDC (Bipole III) | ~28,000–32,000 towers |
| Ontario (Hydro One) | ~30,000 km (transmission & sub-transmission) | ~75,000–90,000 towers |
| Alberta (AltaLink, ATCO, etc.) | ~13,300 km (AltaLink only) | ~33,000–40,000 towers |
| Saskatchewan (SaskPower) | ~12,000 km | ~30,000–35,000 towers |
| New Brunswick (NB Power) | ~6,800 km | ~17,000–20,000 towers |
| Newfoundland & Labrador (NL Hydro) | ~5,000 km | ~12,000–15,000 towers |
| Nova Scotia (Nova Scotia Power) | ~5,400 km | ~13,000–16,000 towers |
| Prince Edward Island (Maritime Electric) | ~700 km | ~1,800–2,200 towers |

Table 2: Provincial Transmission Utility Overview – Ownership, Credit Rating, Estimated Cost of Debt Capital

| | |
|--------------------------|---|
| Québec: | Hydro-Québec |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | All debt unconditionally guaranteed by the Government of Québec. |
| Credit Ratings: | Moody's Aa2; Fitch AA–; S&P A+; DBRS AA (low) |
| Cost of Capital: | AA-level borrowing, typically ~20–40 bps tighter than A-rated peers (≈3.8–4.2% on 10-year debt) |
| British Columbia: | BC Hydro |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | Backing: No explicit statutory guarantee, but effectively treated as backed by the Province of BC |
| Credit Ratings: | Fitch AA+; DBRS AA (high); S&P/Moody's equivalent to province. |
| Cost of Capital: | AA-level, ≈3.8–4.2% on 10-year debt |
| Manitoba: | Manitoba Hydro |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | Province of Manitoba provides statutory debt guarantee; provincial borrowing authority issues debt directly |
| Credit Ratings: | DBRS A (high) |
| Cost of Capital: | A-rated borrowing ≈4.0–4.7% (5–10 year maturities) |
| New Brunswick: | NB Power |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | All debt guaranteed by the Province of New Brunswick under statute. |
| Credit Ratings: | No standalone rating; tied to Province of New Brunswick |
| Cost of Capital: | Mirrors provincial issuance levels, effectively A-range (≈4.0–4.7%) |

| | |
|------------------------|--|
| NFLD & Lab: | NL Hydro (formerly Nalcor Energy) |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | Debt issued under provincial borrowing authority; guarantee-backed |
| Credit Ratings: | DBRS A (long-term); R-1 (low) short-term |
| Cost of Capital: | Aligned with provincial credit (A-range, ~4.0–4.7%) |
| Saskatchewan: | SaskPower |
| Ownership: | 100% Crown corporation |
| Provincial Backing: | No explicit statutory guarantee, but as a Crown, its obligations are implicitly backed by the Province of Saskatchewan |
| Credit Ratings: | Not separately listed; typically considered A-range with implicit support |
| Cost of Capital: | A-rated borrowing ≈4.0–4.7% |
| Ontario: | Hydro One |
| Ownership: | Formerly fully Crown; now partially privatized, province holds ~47%. |
| Provincial Backing: | No provincial guarantee. Regulated by the Ontario Energy Board |
| Credit Ratings: | S&P A; Moody's A3; DBRS A (high) |
| Cost of Capital: | A-range, ~4.0–4.7% on 5–10 year bonds |
| Alberta: | AltaLink, ATCO, Canadian Utilities |
| Ownership: | Private |
| Provincial Backing: | None – Fully regulated by the Alberta Utilities Commission. |
| Credit Ratings: | AltaLink: S&P A–; DBRS A |
| ATCO Ltd.: | Fitch BBB+; DBRS A (low) |
| Canadian Utilities: | Fitch A– |
| Cost of Capital: | Ranges from ~4.5–5.5% depending on rating (A vs. BBB) |
| Nova Scotia: | Nova Scotia Power (Emera) |
| Ownership: | Private |
| Cost of Capital: | BBB-range; ~5.0–5.5% on 10-year debt |
| PEI: | Maritime Electric (Fortis) |
| Ownership: | Private |
| Provincial Backing: | None; regulated utility |
| Credit Ratings: | S&P BBB+; DBRS notched investment grade |
| Cost of Capital: | BBB+/A-low range; ~4.7–5.2% |



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