

Mergers and Acquisitions (M&A) opportunities in the energy transition

A point of view for Canadian
power and utility companies



The better the question.
The better the answer.
The better the world works.

CONTENTS

- 02 Letter from EY Canada
- 03 Introduction
- 04 Canadian P&U M&A snapshot
- 06 Current landscape and M&A outlook
- 08 Key risks and mitigation strategies
- 08 How EY-Parthenon can help

Unlocking potential: M&A in Canada’s power and utilities sector

The Canadian Power and Utilities (P&U) sector is undergoing a significant evolution as utilities of all types navigate a complex landscape marked by the energy transition, geopolitical and trade shifts, and regulatory funding constraints. It is imperative for utilities to rethink their strategies in response to these challenging dynamics.

For electric utilities, pressure is mounting due to the rising electricity demand from industrial, data centre, and household growth, the urgent need for infrastructure modernization, and the continued adoption of distributed energy resources (DERs) and electric vehicles (EVs).

Gas utilities are reengineering their operations and infrastructure for technologies like hydrogen, carbon capture and storage, and renewable natural gas (RNG) solutions. Water and wastewater utilities are prioritizing infrastructure upgrades to accommodate a growing population. Collectively, these trends highlight the necessity for utilities to deploy an effective capital agenda.

In this context, mergers and acquisitions (M&A) and divestitures emerge as critical strategies for utilities seeking to drive growth and scale, optimize capital and, ultimately, navigate the complexities of the energy transition. Utilities have historically engaged in M&A to unlock synergistic cost savings and operational efficiencies, strengthen financial positions, and drive rate benefits to customers. Although challenges such as complex regulatory requirements, interest rate volatility and rising capital expenditures may deter some utilities, benefits from transaction synergies, accelerated access to new technologies, capabilities and customer jurisdictions will motivate utilities to pursue M&A and divestitures to attain a competitive edge amid the rapidly evolving P&U landscape.

Canada’s P&U sector is no stranger to utility M&A. In the past decade, more than a dozen large-scale electric and gas utility transactions were conducted, each valued at more than CAD \$1b. More than 90 electricity local distribution companies (LDCs) have been acquired or have merged. Leading utilities have gained critical M&A expertise, and the sector has witnessed continued consolidation and transaction activity.

In this document we elaborate on how M&A and divestitures are a crucial path for the impending evolution of utilities across Canada, revisiting how they have shaped and will continue to shape the sector. We aim to provide insightful perspectives and practical recommendations that can assist utilities in their future M&A endeavours.



RAFAEL COLÓN SILVA
Partner, Power and Utilities
EY-Parthenon Strategy and Execution



DR. LANCE MORTLOCK
Managing Partner,
Industrials & Energy,
EY Canada

Introduction

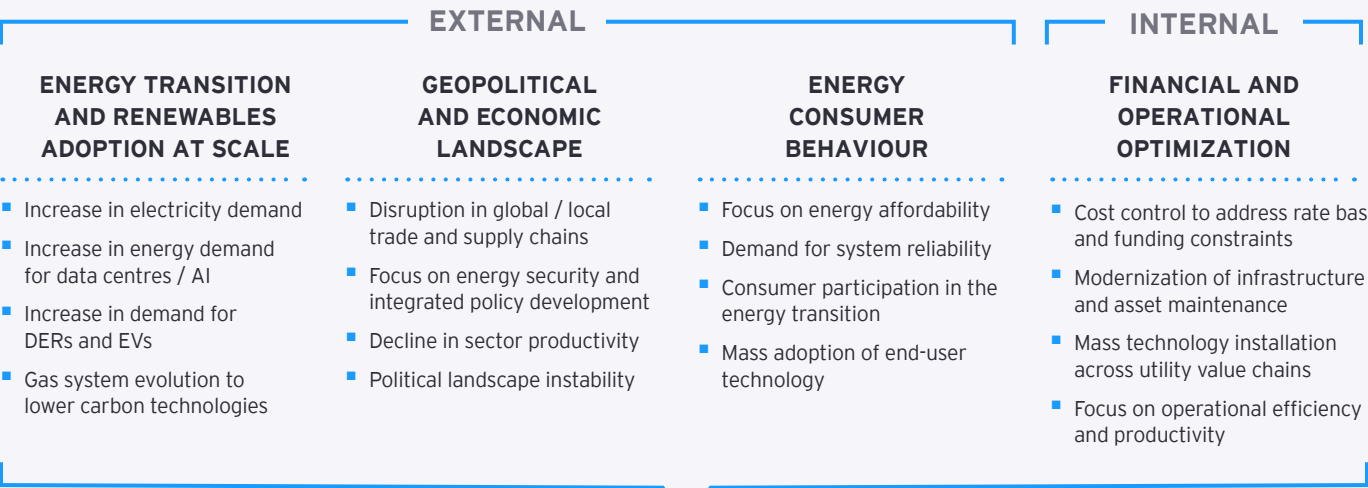
External and internal forces are driving evolution in the Canadian P&U sector. These forces align with the value proposition of transactions to achieve economies of scale and growth, access disruptive technology and innovation, and optimize the capital agenda and will set the stage for more M&A activity in the future.

While historically stable, the sector is now undergoing significant transformation resulting from external drivers – the energy transition, geopolitics, energy security, and consumer behaviour, and internal drivers – efficiency and cost optimization to address regulatory mandates and funding constraints. These are compelling utilities to reevaluate their strategic growth choices to achieve optimal outcomes for their stakeholders: customers, regulators and investors.

Utilities of all types are experiencing significant pressures and bear substantial capital requirements for infrastructure upgrades and modernization. For instance, electric utilities are facing growing capacity demands, with Ontario projecting a 75% increase in electricity demand by 2050, British Columbia requiring 3,000 GWh/year by 2028, and Alberta rapidly advancing its AI data centre capabilities, including plans to build the largest in the world.^{1, 2, 3}

Gas utilities are assessing opportunities to reengineer existing pipeline infrastructure for hydrogen blending, while investments in RNG are expected to double by next year.^{4, 5} Similarly, water utilities are tackling aging infrastructure through pipeline replacement programs – a significant portion of water mains in major cities being over 50 years old – and aiming to reduce annual water main breaks.⁶

Drivers of corporate development in the Canadian P&U sector

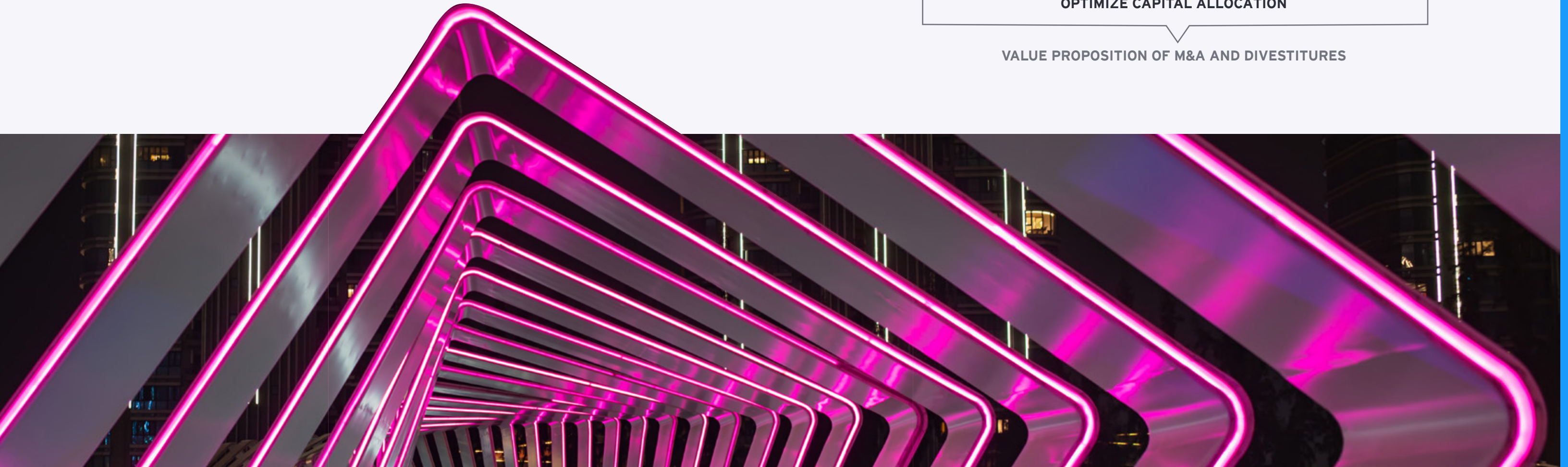


UNLOCK GROWTH AND ECONOMIES OF SCALE

ENABLE DISRUPTIVE INNOVATION AT SCALE AND COST EFFECTIVELY

OPTIMIZE CAPITAL ALLOCATION

VALUE PROPOSITION OF M&A AND DIVESTITURES



M&A and divestitures stand out as vital corporate development strategies for utilities to navigate current complexities.



Consumer participation in the energy transition continues to gain traction. There is broad support for localized renewable energy initiatives amongst Canadians, with projects having reached over 24 GW of installed capacity, and only 24% of households not possessing smart home devices used to enhance energy efficiency.^{7, 8} However, energy affordability remains critical for supporting Canada's net-zero goals, and maintaining reliability of utility systems is of paramount importance, which underscores the criticality of infrastructure modernization.⁹

Internally, utilities are focusing on financial and operational optimization to address regulatory mandates and manage capital constraints. Rate base and funding limitations, and rising capital and operational expenditure pressures can potentially lead to deferred infrastructure maintenance, ultimately affecting asset health. As a result, cost control remains a top priority, alongside efforts to modernize infrastructure and enhance operational efficiency to ensure reliable service in a demanding regulatory environment.

In addition, geopolitical and domestic economic challenges will likely hinder utilities' ability to achieve the required level of change organically and quickly. Shifts in global and local trade threaten economic stability and could result in GDP contraction and consumer spending, furthering interest rate uncertainty. Canada's political landscape is undergoing a reconfiguration, driving uncertainty around future energy policy and utility regulation. More critically, productivity in utilities and adjacent sectors has been falling in recent years, requiring more resources for the same output.¹⁰ These factors, along with rising costs, strain utilities' ability to adapt and innovate, and further stress the need for tools and mechanisms to unlock growth and scale at speed.

Amid all the above drivers, M&A and divestitures stand out as vital corporate development strategies for utilities to consider in navigating current complexities. As stated, the sector will pursue economies of scale, innovation, new capabilities and optimization of capital, all traditional value propositions of transactions. With the adequate level of planning and execution, M&A can deliver on these imperatives, unlocking sources of value to realize cost efficiencies, enhance operations, and drive rapid acquisition of new customers and capabilities. More importantly, M&A can provide a fast track to enable the expected transformations required for the energy transition.

Factors such as market fragmentation, proximity among service territories, strategic and operational similarities and differences are essential in the formulation of M&A opportunities and will determine the extent of favourability among utility deals. It's essential to navigate the unique regulatory framework that governs utility M&A processes and its sequencing. While a rigorous approval process and extensive time and resource effort are required, the potential benefits – cost synergies, improved service quality and accelerated access to innovative technologies – continue to make M&A an attractive and strategic proposition that can benefit utilities of all sizes.

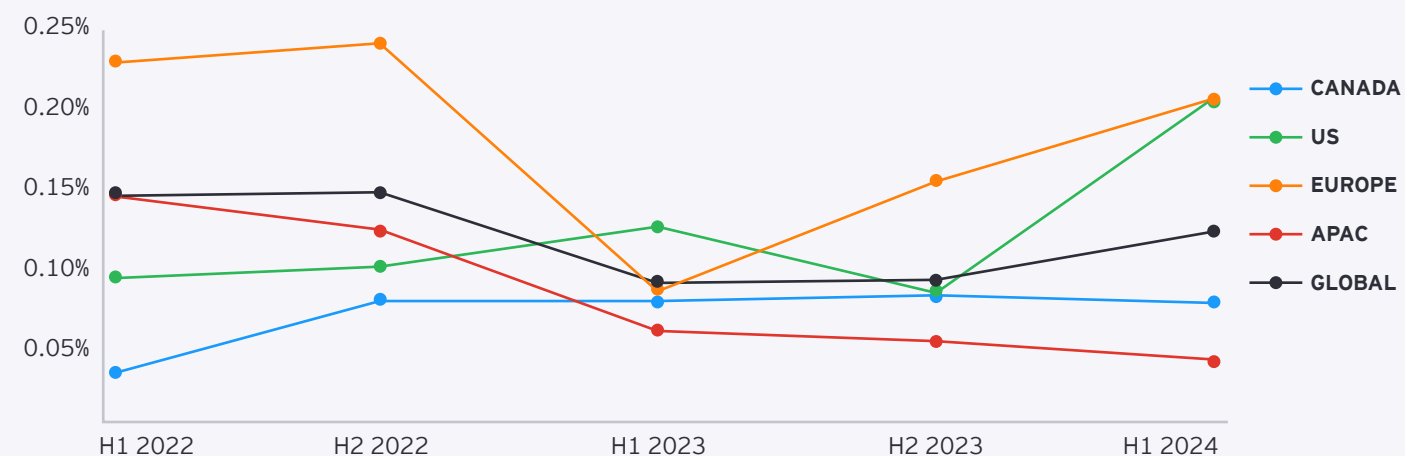
In the next pages we provide a perspective on the Canadian P&U sector with respect to global peers and explore the historical M&A journey that led to its current landscape across the country. We discuss the sector's potential for increased utility deal activity and delve into a series of predictions that we believe will unfold in the M&A space for utilities across the country.

Canadian P&U M&A snapshot

Canadian P&U companies have lagged behind their global peers on M&A activity, but the sector's robust history of utility transactions highlights a strong foundation for future growth. Leading utilities across the country seeking competitive and financial advantage are likely to engage in M&A and divestitures in the years to come.

A relative comparison of total P&U deal value, inclusive of transactions for both financial and strategic buyers across electricity, gas, water and wastewater as a percentage of annual GDP by region in the last three years sheds light on the opportunity for further M&A development in the Canadian P&U sector, with an average of 0.07% of annual GDP compared to the global average of 0.12%.¹¹

Canadian P&U sector trails global peers in M&A activity¹²
P&U deal value as % of annual GDP



However, Canadian P&U companies are well versed in M&A and divestiture activity, with over a dozen large-scale transactions by both electric and gas utilities in the past decade each exceeding CAD \$1 billion.¹³ Since the late 1990s, more than 90 electricity LDCs have been consolidated in Ontario.¹⁴ Canada's P&U deal value remained stable in 2023 and 2024 despite higher interest rates, surpassing Asia Pacific and nearing the global average, suggesting steady deal appetite among utility players.¹⁵

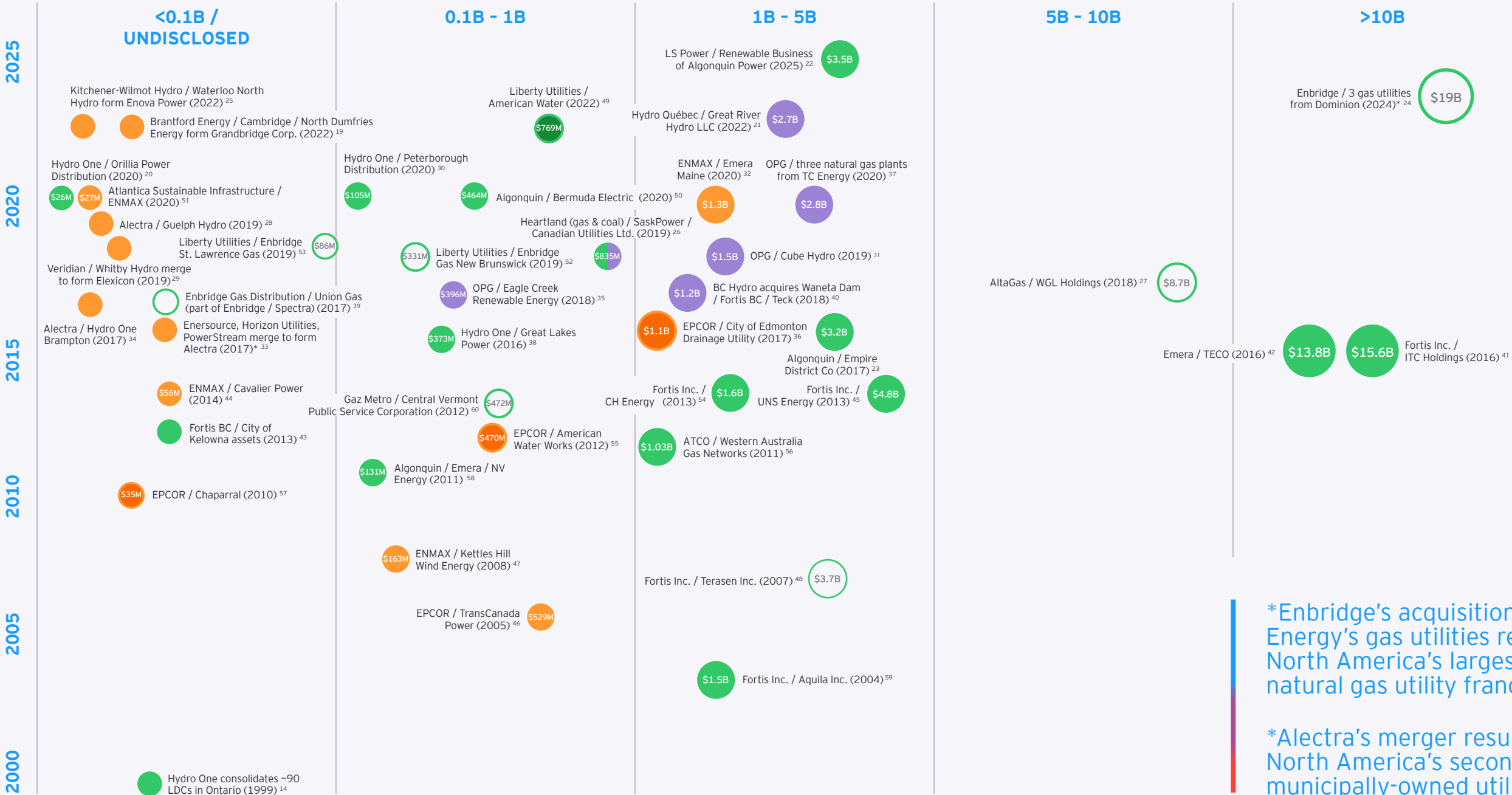
In turn, regulators have established frameworks to support the M&A process, in some cases including the ability for consolidating utilities to defer rebasing to a later period, recognizing the advantages of economies of scale and faster access to new assets.¹⁶ Gradual favourability towards sector consolidation has enabled utilities to expand their customer bases, strengthen their capital positions and enhance their operational capabilities while addressing regulatory demands.

Utility ownership type is crucial in understanding broader Canadian utility transaction trends, as it often falls in specific themes across deal rationales and transaction sizes. Our approach is to segment Canadian P&U transactions among three groups: investor-owned utilities (IOUs), municipally owned utilities (MOUs) and provincially owned utilities (POUs).

Canada's P&U sector is characterized by a large portion of utilities operating as provincial Crown corporations or agencies and municipal entities. For contrast, in the electricity sector, US-based IOUs serve 72% of customers, whereas in Canada IOUs serve only 11%.^{17, 18} The trend of lower M&A activity in Canada compared to global peers is generally attributed to a higher degree of public ownership of utilities as well as lower population density.

Canadian utilities of all ownership types have increasingly engaged in M&A

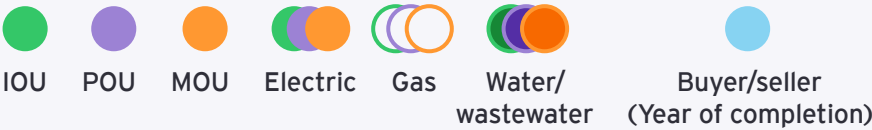
Select transactions in the past 25 years involving Canadian utilities (excl. financial investor transactions**); Deal value (CAD \$b)



*Enbridge's acquisition of Dominion Energy's gas utilities resulted in North America's largest natural gas utility franchise.

*Alectra's merger resulted in North America's second-largest municipally-owned utility.

LEGEND ***



**While there are numerous financial buyer/seller transactions in record for the Canadian P&U sector – both domestic and international – our analysis centred on strategic buyer/seller transactions involving Canadian utilities of different ownership types to emphasize sector-specific insight and historical context.

***The categorization of utility type refers to the Canadian utility involved in the transaction.

Over a dozen large-scale Canadian utility transactions have taken place in the past decade each exceeding CAD \$1b.

IOUs typically pursue larger deals, often internationally, with transactions on record often exceeding CAD \$1b. Deal rationales include achieving scale and diversification, enhancing rate base and dividend profiles, expanding geographical and customer footprint, and diversifying the energy mix.

In contrast, MOUs tend to focus on smaller-scale transactions and consolidations to strengthen their capital position for investments in infrastructure modernization and the energy transition, and to enhance operational efficiencies and customer service.

POUs have engaged in targeted acquisitions valued between ~CAD \$300m and ~CAD \$3b. Deal rationales tend to follow unique provincial needs around capacity demand and energy mix diversification, and utility-specific needs around operations enhancement, international expansion, and acquisition of infrastructure to mitigate construction risks.

In the past decade, M&A activity has been more prevalent across all utility types in Canada than in the early 2000s.

Other emerging M&A opportunities

Electric utilities have seen increased adoption of DERs and EVs driven by government initiatives to achieve a net zero grid by 2050. Solar PV and battery capacity is expected to rise from 21.9 GW in 2024 to 58 GW by 2035, and EV sales are currently projected to reach at least 20% of light-duty vehicle sales next year.^{61, 62}

In parallel, gas utilities are exploring solutions around hydrogen, carbon capture and renewable natural gas.^{4,5} Regulators are assessing impacts from these technologies and introducing incentives to encourage further development.⁶³

In response, many utilities in Canada have already developed nonregulated and other energy services offerings of their own through dedicated business units, primarily organically. Contrasting with this trend, some electric and gas utilities in other regions of the world have used M&A to augment their capabilities among these emerging areas of opportunity.



Select transactions by utilities in other regions include:

- French electric utility ENGIE acquired Houston-based battery storage company Broad Reach Power in August 2023 for over US \$1b. This acquisition positioned ENGIE in its objective to reach 10 GW of battery capacity by 2030 to support the development of renewable energies.⁶⁴
- French electricity generator EDF Group acquired UK-based Pod Point for £110m in February 2020, strengthening its position in the electric mobility market and expanding its infrastructure across Europe to promote sustainable energy solutions for EV users.⁶⁵
- US-based NRG Energy acquired Vivint Smart Home for US \$2.8b in December 2022, becoming the leading essential home services platform for about 7.4 million customers in North America.⁶⁶
- US-based NextEra Energy acquired a portfolio of operating landfill gas-to-electric facilities for US \$1.5b in 2022 as part of their efforts to expand RNG capabilities.⁶⁷

Despite lagging behind their global peers in M&A activity, utilities in Canada have gained momentum and developed key corporate development expertise as evidenced by transactions in recent history. Opportunities remain in the horizon not only for traditional utility-to-utility transactions, but also for emerging areas such as energy services and related technologies. We anticipate that utilities in Canada will continue to pursue M&A and divestitures to consolidate, reallocate capital, and achieve economies of scale for growth and modernization in the energy transition.

Current landscape and M&A outlook

Canada's P&U landscape is varied and complex, between fragmented and concentrated jurisdictions. However, it has the potential for future transaction activity, primarily around international expansion, strategic divestments, opportunistic energy transition and nonregulated deals, and further LDC consolidation.

Today, the Canadian P&U sector comprises more than 140 electric utility companies¹³ spanning power generation, transmission and local distribution, more than 90 gas utilities (including cooperatives)¹³ focused on transmission and distribution, and more than 4,000 water utilities responsible for water distribution and treatment.^{68, 69} Across provinces, the sector comprises a diverse and unique landscape shaped by ownership structure, level of vertical integration and jurisdictional regulations, which directly influence the potential for M&A activity.

Aside from utility types and ownership structure, a key factor to assess when determining propensity for transactions is the degree of concentration in a jurisdiction. A concentrated jurisdiction is generally characterized by one or a few dominant utilities that service a large majority of customers. A fragmented utility jurisdiction is characterized by many utilities with varying share of customers. A balanced jurisdictional profile is characterized by the share of customers being distributed relatively evenly among companies, often because of service territory assignment or the nature of municipal governance.

Electricity generation in Canada is dominated by POU's serving most customers, with unique nuances for additional players present in Ontario and Alberta. For distribution, Ontario has more than 60 LDCs serving

more than a million customers, while Alberta presents a more balanced landscape featuring a combination of both IOUs and MOUs.

For gas, distribution is mostly concentrated, with one or two major players serving the majority of customers in each province.

In contrast, the landscape of water utilities is primarily balanced, as municipalities typically serve as the main distributors to their respective communities, with the customer base largely influenced by the size of these municipalities, resulting in a spread concentration of utility serving population bases. An exception is Saskatchewan, where one provider dominates water distribution in the region.

Local M&A activity in water utilities to date has been uncommon due to its jurisdictional nature, with municipalities managing over 96% of public water utilities.⁷⁰

The varied composition of utilities across Canada not only highlights the sector's unique complexity, but also signals a promising horizon for M&A and divestitures. As the sector adapts to evolving market conditions and efforts towards more integrated energy policy development across provinces, we anticipate these M&A opportunities will manifest through strategies tailored to the unique challenges, needs and goals of communities, jurisdictions and utility profiles.

Whether driven by the need for growth, enhanced competitive positioning or the pursuit of operational efficiencies, the landscape is ripe for additional transaction activity in the future. We examine how these dynamics could unfold and highlight key areas for prospective M&A activity in the Canadian P&U through the following key predictions.

Degree of P&U market concentration across Canadian provinces

	 ELECTRIC	 GAS	 WATER
ALBERTA	<div>BALANCED</div> Several IOUs and IPPs* own generation in Alberta (majority natural gas). Transmission is owned by a combination of IOUs and MOUs based on jurisdictions. Distribution is also owned by a mix of IOUs and MOUs as well as several cooperatives.	<div>CONCENTRATED</div> 2 IOUs are accountable for servicing most customers in the province. There are multiple natural gas cooperatives, and other MOUs that support distribution.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
BRITISH COLUMBIA	<div>CONCENTRATED</div> 1 POU owns majority of generation (almost all hydro power), transmission, and distribution in the province. Several IOUs operate a number of hydro stations and renewables.	<div>CONCENTRATED</div> 2 IOUs own majority of natural gas transmission and distribution, delivering to nearly all customers across the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
MANITOBA	<div>CONCENTRATED</div> 1 POU owns majority electricity generation (mostly from hydro sources), transmission and distribution.	<div>CONCENTRATED</div> 1 POU owns majority of transmission and distribution, delivering to nearly all the customers in the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
NEW BRUNSWICK	<div>CONCENTRATED</div> 1 POU owns majority of electricity generation, transmission, and distribution. Most electricity is generated through nuclear, fossil fuels and hydro.	<div>CONCENTRATED</div> 1 IOU owns distribution and is accountable for servicing nearly all customers across the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
NEWFOUNDLAND & LABRADOR	<div>CONCENTRATED</div> 1 POU generates majority of electricity (mostly hydro) and transmission. 1 IOU operates the majority of distribution in the province.	<div>LIMITED / NO PRESENCE</div> The province does not rely on natural gas for residential heating.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
NOVA SCOTIA	<div>CONCENTRATED</div> 1 IOU owns majority of electricity generation (mostly coal, and growing renewable footprint), transmission and distribution.	<div>CONCENTRATED</div> IOU owns distribution and is accountable for servicing nearly all customers across the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
ONTARIO	<div>FRAGMENTED</div> Over 60 LDCs own distribution. 1 POU owns majority of generation capacity (mostly nuclear and hydro), with numerous IOUs also participating. Nearly all transmission is owned by 1 IOU.	<div>CONCENTRATED</div> 1 IOU owns distribution and is accountable for servicing nearly all customers across the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
PRINCE EDWARD ISLAND	<div>CONCENTRATED</div> Most electricity consumed is imported from New Brunswick. Wind farms complement the province's power generation. 1 IOU owns the electricity transmission and distribution.	<div>LIMITED / NO PRESENCE</div> A small amount of compressed natural gas is trucked into the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
QUÉBEC	<div>CONCENTRATED</div> 1 POU owns majority electricity generation (mostly hydro), transmission and distribution.	<div>CONCENTRATED</div> 1 IOU owns distribution and is accountable for servicing nearly all customers across the province.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.
SASKATCHEWAN	<div>CONCENTRATED</div> 1 POU owns majority of generation (mostly natural gas and coal), transmission and distribution. IOUs and IPPs account for a portion of the generation capacity.	<div>CONCENTRATED</div> 1 POU owns transmission and distribution, servicing vast majority of customers, over 90% of communities across the province.	<div>CONCENTRATED</div> 1 POU is the primary provider of water and wastewater services across the province.
YUKON, NUNAVUT AND NORTHWEST TERRITORIES	<div>CONCENTRATED</div> Each territory has a government corporation that owns majority of generation, transmission and distribution. 1 IOU distributes electricity to the remaining communities in NWT.	<div>LIMITED / NO PRESENCE</div> Yukon, Nunavut and NWT do not use natural gas for residential heating.	<div>BALANCED</div> Balanced sector with water and wastewater services delivered to customers by MOUs under their respective local jurisdictions.

* IPP: independent power producers

CONCENTRATED

BALANCED

FRAGMENTED

LIMITED / NO PRESENCE

Four predictions for Canadian P&U M&A



FURTHER CONSOLIDATION OF LDCs IN ONTARIO'S ELECTRICITY SECTOR

With a projected population growth of 41.7% (6.5 million people) over the next 28 years, demand for improved grid performance will pressurize LDCs.⁷³ Smaller LDCs will face constraints in keeping up with the required level of capital investment. Local examples of LDC consolidations include Hydro One's acquisitions in the late 1990s¹⁴ and utility mergers such as the formation of Alectra³³ and the more recent merger of Brantford Energy Corporation and Cambridge and North Dumfries Energy Plus in 2022, which formed Grandbridge Energy Inc.¹⁹

In this context, larger, consolidated utilities will be better positioned for critical energy transition and infrastructure capital requirements, and delivery of affordable electricity rates. Continued consolidation of Ontario LDCs is anticipated, involving both incumbent and new players.



STRATEGIC DIVESTMENT OF ASSETS TO FREE-UP CAPITAL FOR PRIORITY INVESTMENTS

Utilities face significant capital challenges with regard to critical infrastructure, modernization of operations and energy transition requirements. To finance these initiatives, companies are increasingly pursuing non-core divestments rather than relying on traditional debt financing. Notable examples include Canadian Utilities Ltd. (CUL), which divested a series of coal and natural gas power plants in two separate deals worth about CAD \$835 million,²⁶ and Algonquin Power and Utilities, which sold a majority of its renewables unit for CAD \$3.5 billion.²²

While utilities are allowed by their regulator to operate under specific debt-to-equity ratio thresholds, some companies with higher debt loads may consider strategies to reduce leverage and redeploy capital on emerging priorities, making divestments a key alternative for consideration.



FURTHER INTERNATIONAL EXPANSION AND ACQUISITIONS FOR GREATER SCALE AND EFFICIENCIES

Leading utilities will continue to expand internationally to enhance market presence, diversify service offerings and strengthen financial profiles – most notably rate base and dividend yield. Ample evidence of many large Canadian IOUs acquiring international utilities and assets suggests future potential.

Canadian IOUs have built critical corporate development competencies and internal capabilities as a strong foundation to expedite future M&A endeavours. A recent highlight is Enbridge's 2023 acquisition of three US gas utilities from Dominion Energy, which created North America's largest natural gas utility franchise, serving about 7 million customers across 7 provinces and states.²⁴ We expect Canadian IOUs will continue to assess opportunities in the global arena over the medium to long term, despite current global headwinds in the geopolitical and economic landscape, including interest rate uncertainty.



OPPORTUNISTIC M&A AND JVS/PARTNERSHIPS IN EMERGING ENERGY TRANSITION AREAS

The convergence of industries, including the P&U, manufacturing, telecommunications and automotive sectors, is expected to accelerate, driven by the integration of energy platforms and services to deliver innovative offerings. Recent collaborations from global companies exemplify this, such as the partnership between Ford Motor Company and Xcel Energy to deploy 30,000 EV charging ports across the US by 2030.⁷¹

Additionally, NRG Energy's acquisition of Vivint Smart Home for CAD \$2.8 billion in December 2022 allowed NRG to incorporate solar solutions in its portfolio.⁶⁶

Telecommunications firms like Verizon are also exploring smart grid solutions to support energy management.⁷² We anticipate plant and facility infrastructure companies will seek opportunities to augment their own power generation solutions. Canadian utilities will continue to explore and assess these opportunities, whether through partnerships or acquisitions, under their nonregulated business units or as a complement to their core business capabilities, as applicable.

Key risks and mitigation strategies

While deals can create value, they also involve considerable risks and complexities. Utility companies seeking M&A and divestitures must adeptly manage these challenges through diligent planning and strategic engagement to ensure successful integration and realization of anticipated benefits.

Key challenges P&U entities face in M&A transactions typically include operational, financial, regulatory, political and stakeholder-related risks. These risks, if not mitigated, can result in deal rejection, financial instability, or operational inefficiencies post-transaction.

LACK OF DUE DILIGENCE 	Insufficient early due diligence can lead to significant deal risks, including a lack of understanding of a target's strategic, financial and operational fundamentals. Failing to properly conduct due diligence often leads to inaccurate valuation outcomes and suboptimal deal structuring, and ultimately impacts transaction planning and execution timelines through post-acquisition. To mitigate this risk, entities should conduct thorough integrated due diligence early in the process, focusing on comprehensive areas of the organization, including financial, commercial, operational, tax, human resources, IT and cyber.
INADEQUATE ASSESSMENT AND QUANTIFICATION OF VALUE SOURCES 	Limited identification and quantification of value sources can hinder M&A success. Poor synergy planning and execution may lead to the failure to quickly realize key value components. Additionally, insufficient performance management can result in a lack of visibility into the benefits delivered to customers. To address this, entities must ensure robust planning that identifies, quantifies and justifies value over time, linking total benefits to customer outcomes and clearly illustrating required cost incurrence. Taking a holistic approach to both short- and long-term quantitative and qualitative benefits will help articulate sustained value for customers.
LIMITED TRANSACTION PLANNING AND EXECUTION MANAGEMENT 	Limited capabilities in managing the transition from transaction planning to execution can undermine M&A success. To mitigate this risk, organizations should implement rigorous governance processes to identify execution challenges and use proven management tools for real-time progress tracking. A focus on Day 1 close and long-term results, along with ongoing outcome monitoring, is essential. Establishing a permanent integration or separation management office will enable oversight of post-close performance. Additionally, effective change management strategies, including regular communication and employee involvement, are essential for a smooth transition.
REGULATORY APPROVAL RISK 	Regulatory approval requires diligent and thorough planning given strict requirements (e.g., no harm test) by regulators focused on protecting consumer interests. A key mitigation for utilities seeking M&A is to reinforce trust with customers through demonstration of clear benefits expected from a transaction to secure regulatory approval. Providing a compelling rationale for acquisitions and showcasing the link between risks assumed by shareholders and benefits to customers can drive towards equitable outcomes.
POLITICAL STRATEGY RISKS 	Utility transactions are conducted in the context of an evolving energy policy landscape, making political strategy crucial in the planning and successful execution of a transaction. Key considerations include conducting a thorough evaluation of the policy landscape in a target jurisdiction and early engagement with policymakers to address potential concerns. Preparing a document that outlines key regulatory and compliance activities from initial development through filing can help provide a clear and compelling rationale for M&A.

How EY-Parthenon can help

Mergers, acquisitions and divestitures will remain as key enablers for Canadian P&U companies in meeting the demands of the energy transition in Canada and internationally. Our EY-Parthenon team, with its unique blend of transformative strategy, transactions, and corporate finance, is committed to delivering P&U leaders and decision makers with real-world value - solutions that work in practice, not just on paper.

We have supported several Canadian P&U companies throughout their M&A transaction lifecycle with our proven methodology and tools. Our services include:



Conclusion

Canadian utility companies are poised to capitalize on these opportunities building on the corporate development experience and unique knowhow attained in recent history. Through strategic mergers, acquisitions, divestments and innovative partnerships, they can enhance financial performance, operational efficiency, drive sustainable growth and meet emerging sector demands.

Authors



RAFAEL COLÓN SILVA
Partner, Power and Utilities
EY-Parthenon Strategy and Execution
rafael.colon.silva@parthenon.ey.com
+1 416 605 4503



DR. LANCE MORTLOCK
Managing Partner,
Industrials & Energy, EY Canada
lance.mortlock@ca.ey.com
+1 403 671 1808

Key contacts



SEAN GUNTON
Partner, Industrials and Energy
EY-Parthenon Strategy and Execution
sean.gunton@parthenon.ey.com
+1 403 389 1443



MOZ SALIM
Partner, Power and Utilities
Sector Leader, EY Canada
moz.salim@ca.ey.com
+1 647 274 1011



KARLEEN BATTY
Partner, Industrials & Energy Sector
Leader, EY-Parthenon Canada
karleen.batty@ca.ey.com
+1 403 589 3929



ANDY GRAINGER
Partner, Power and Utilities
Consulting Leader, EY Canada
andrew.grainger@ca.ey.com
+1 519 476 1396

Contributors

We would like to express our gratitude to the following EY-Parthenon colleagues who contributed in the development of this document.



BRANDON GANZ
Senior Director
EY-Parthenon Strategy and Execution



TARIK SINGH
Senior Director
EY-Parthenon Strategy and Execution



GITANSHU SONI
Director
EY-Parthenon Strategy and Execution



SAMUEL SIU
Director
EY-Parthenon Strategy and Execution



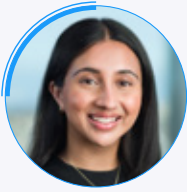
CHLOE FREEMAN
Consultant
EY-Parthenon Strategy and Execution



SHREYA KULKARNI
Consultant
EY-Parthenon Strategy and Execution



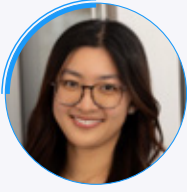
RITA LI
Consultant
EY-Parthenon Strategy and Execution



ISHA BHATTACHARYA
Associate
EY-Parthenon Strategy and Execution



TIFFANY KAI-PO TOO
Associate
EY-Parthenon Strategy and Execution



SOPHIE YANG
Associate
EY-Parthenon Strategy and Execution



DEBDEEP MALLICK
Consultant
EY-Parthenon Strategy and Execution

References

1 “2025 Annual Planning Outlook: Demand Forecast Information Session”, IESO, October 2024, <https://www.ieso.ca/Corporate-IESO/Media/News-Releases/2024/10/Electricity-Demand-in-Ontario-to-Grow-by-75-per-cent-by-2050>

2 “2024 Call for Power”, BC Hydro, September 2024, <https://www.bchydro.com/work-with-us/selling-clean-energy/2024-call-for-power.html>

3 “Wonder Valley AI Data Centre Park”, Government of Alberta, December 2024, <https://majorprojects.alberta.ca/details/Wonder-Valley-AI-Data-Centre-Park/11477>

4 “Hydrogen Strategy for Canada: Progress Report”, Natural Resources Canada, May 2024, <https://natural-resources.canada.ca/climate-change/hydrogen-strategy-canada-progress-report#a4c>

5 “The renewable natural gas opportunity”, Canadian Gas Association, May 2024, <https://www.cga.ca/natural-gas-101/the-renewable-natural-gas-opportunity/#:~:text=By%202026%2C%20the%20number%20of,than%20318%2C000%20homes%20per%20year.>

6 “Canada’s Core Public Infrastructure Survey: Water Infrastructure, 2020”, Statistics Canada, July 2022, <https://www150.statcan.gc.ca/n1/daily-quotidien/220726/dq220726a-eng.htm>

7 “By the Numbers”, Canadian Renewables Association, December 2024, <https://renewablesassociation.ca/by-the-numbers/>

8 “Canada’s Smart Home Revolution: Embracing the Future”, Canadian Real Estate Wealth, February 2024, <https://www.canadianrealestatemagazine.ca/news/canadas-smart-home-revolution-embracing-the-future/>

9 “Powering Canada: A blueprint for success”, Natural Resources Canada, May 2024, <https://natural-resources.canada.ca/energy-sources/powering-canada-blueprint-success#a4>

10 From Bad to Worse: Canada’s Productivity Slowdown is Everyone’s Problem”, TD Economics, September 2024, <https://economics.td.com/ca-productivity-bad-to-worse>

11 “World Economic Outlook Database”, International Monetary Fund, April 2025, <https://www.imf.org/en/Publications/WEO/weo-database/2025/April>

12 EY-Parthenon analysis with data sourced from International Monetary Fund and Mergermarket

13 EY-Parthenon Research and Analysis; data sourced from CapitalIQ

14 “Investor Overview - Post Fourth Quarter 2024”, Hydro One, 2024, <https://www.hydroone.com/investorrelations/Documents/eventsandpresentations/Hydro%20One%20Investor%20Overview%20Post%204Q24.pdf>

15 EY-Parthenon analysis with data sourced from International Monetary Fund and Mergermarket

16 Handbook to Electricity Distributor and Transmitter Consolidations”, Ontario Energy Board, July 2024, <https://www.oeb.ca/sites/default/files/2024-maads-handbook-20240711.pdf>

17 “Investor-owned utilities served 72% of U.S. electricity customers in 2017”, U.S. Energy Information Administration, August 2017, <https://www.eia.gov/todayinenergy/detail.php?id=40913>

18 EY-Parthenon Research and Analysis.

19 “Merger of Brantford Power and Energy+ complete with official launch of GrandBridge Energy”, City of Brantford, May 2022, <https://www.brantford.ca/en/merger-of-brantford-power-and-energy-complete-with-official-launch-of-grandbridge-energy.aspx>

20 “Sale of Orillia Power Distribution Corporation to Hydro One closes”, Orillia, September 2020, <https://www.orillia.ca/en/news/sale-of-orillia-power-distribution-corporation-to-hydro-one-closes.aspx#:~:text=The%20sale%20of%20the%20Orillia,generating%20electricity%20continues%20to%20thrive>

21 “Hydro-Québec to acquire 13 hydropower generating stations in New England”, Hydro Quebec, October 2022, <https://news.hydroquebec.com/en/press-releases/1870/hydro-quebec-to-acquire-13-hydropower-generating-stations-in-new-england/>

22 “LS Power to buy mjaority of renewable energy business from Algonquin in \$2.5bn deal”, NS Energy, August 2024, <https://www.nsenergybusiness.com/deals/is-power-to-buy-majority-of-renewable-energy-business-from-algonquin-in-2-5bn-deal/>

23 “Algonquin Power & Utilities Corp. Completes Acquisition of The Empire District Electric Company”, PR Newswire, January 2017, <https://www.prnewswire.com/news-releases/algonquin-power--utilities-corp-completes-acquisition-of-the-empire-district-electric-company-609135805.html>

24 “Enbridge Announces Strategic Acquisition of Three U.S. Based Utilities to Create Largest Natural Gas Utility Franchise in North America”, Enbridge, September 2023, <https://www.enbridge.com/media-center/news/details?id=123779&lang=en>

25 “Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. are now Enova Power Corp.”, Enova, September 2022, <https://enovapower.com/blog/2022/09/08/kitchener-wilmot-hydro-inc-and-waterloo-north-hydro-inc-are-now-enova-power-corp/>

26 “Canadian Utilities sells fossil fuel power assets for \$835M”, CBC, May 2019, <https://www.cbc.ca/news/business/canadian-utilities-sale-1.5151161>

27 “AltaGas Ltd. Announces Closing of its Acquisition of WGL Holdings, Inc.”, AltaGas, July 2018, <https://www.altagas.ca/newsroom/news-releases/altagas-ltd-announces-closing-its-acquisition-wgl-holdings-inc>

28 “Guelph Hydro-Alectra merger”, City of Guelph, 2019, <https://guelph.ca/living/environment/energy/alectra-utilities-in-guelph/guelph-hydro-alectra-merger/#:~:text=A%20merger%20between%20Guelph%20Hydro%20and%20Alectra,joined%20Mississauga%2C%20Vaughan%2C%20Hamilton%2C%20Markham%2C%20Barrie%2C%20St>

29 “Veridian Corporation and Whitby Hydro Energy Corporation Merger Complete, Forming Elexicon Corporation”, GlobeNewswire, April 2019, [https://www.globenewswire.com/news-release/2019/04/01/1794640/0/en/Veridian-Corporation-and-Whitby-Hydro-Energy-Corporation-Merger-Complete-Forming-Elexicon-Corporation.html#:~:text=TORONTO%2C%20April%2001%2C%202019%20\(,transition%20into%20the%20new%20entity.](https://www.globenewswire.com/news-release/2019/04/01/1794640/0/en/Veridian-Corporation-and-Whitby-Hydro-Energy-Corporation-Merger-Complete-Forming-Elexicon-Corporation.html#:~:text=TORONTO%2C%20April%2001%2C%202019%20(,transition%20into%20the%20new%20entity.)

30 “Hydro One to Acquire Assets of Peterborough Distribution Inc. from City of Peterborough.”, HydroOne, August 2018, <https://hydroone.mediaroom.com/2018-08-01-Hydro-One-to-Acquire-Assets-of-Peterborough-Distribution-Inc-from-the-City-of-Peterborough>

31 “OPG finalizes acquisition of Cube Hydro”, OPG, October 2019, <https://www.opg.com/releases/opg-finalizes-acquisition-of-cube-hydro/>

32 “ENMAX completes purchase of Emera Maine”, Emera, March 2020, [https://www.newswire.ca/news-releases/enmax-completes-purchase-of-emera-maine-886557645.html#:~:text=CALGARY%2C%20March%2024%2C%202020%20/CNW/%20%2D%20ENMAX,value%20is%20\\$1.3%20billion%20USD%20on%20closing.](https://www.newswire.ca/news-releases/enmax-completes-purchase-of-emera-maine-886557645.html#:~:text=CALGARY%2C%20March%2024%2C%202020%20/CNW/%20%2D%20ENMAX,value%20is%20$1.3%20billion%20USD%20on%20closing.)

33 “Enersource, Horizon Utilities, PowerStream Officially Become Alectra Inc.”, GlobeNewswire, January 2017, <https://www.globenewswire.com/news-release/2017/01/31/1149602/0/en/Enersource-Horizon-Utilities-PowerStream-Officially-Become-Alectra-Inc.html>

34 “Alectra Inc. Acquires Hydro One Brampton”, Alectra, February 2017, <https://www.markham.ca/sites/default/files/about-city-markham/POWERSTREAM%20MERGER/NewsRelease-Alectra-Brampton-20170228.pdf>

35 “OPG Finalizes Acquisition of Eagle Creek”, Eagle Creek, November 2018, <https://www.eaglecreekre.com/media/news/opg-finalizes-acquisition-eagle-creek>

36 “Edmonton city council votes to transfer drainage to EPCOR”, CBC, April 2017, <https://www.cbc.ca/news/canada/edmonton/edmonton-epcor-drainage-council-1.4068414>

37 “TC Energy completes the sale of Ontario natural gas-fired power plants for proceeds of \$2.8 billion”, TC Energy, April 2020, [https://www.tcenergy.com/announcements/2020/2020-04-29tc-energy-completes-the-sale-of-ontario-natural-gas-fired-power-plantsfor-proceeds-of-\\$2.8-billion](https://www.tcenergy.com/announcements/2020/2020-04-29tc-energy-completes-the-sale-of-ontario-natural-gas-fired-power-plantsfor-proceeds-of-$2.8-billion)

38 “Hydro One buys Great Lake Transmission in \$373-million deal”, Financial Post, January 2016, <https://financialpost.com/news/fp-street/hydro-one-buys-great-lakes-transmission-in-373-million-deal>

39 “Enbridge and Spectra Energy Complete Merge”, Enbridge, February 2017, <https://www.enbridge.com/media-center/news/details?id=2126823&lang=en&year=2017>

40 “BC Hydro purchases remaining interest in Waneta Dam and Generating Station”, BC Hydro, July 2018, https://www.bchydro.com/news/press_centre/news_releases/2018/bc-hydro-purchases-remaining-interest-in-waneta-dam-and-generati.html

41 “Fortis Inc. to Acquire ITC Holdings Corp. for US\$11.3 Billion”, Globe Newswire, February 2016, <https://www.globenewswire.com/news-release/2016/02/09/1470658/0/en/Fortis-Inc-to-Acquire-ITC-Holdings-Corp-for-US-11-3-Billion.html>

42 “Emera to Acquire TECO Energy in US\$10.4 Billion Transaction”, Emera, September 2015, <https://investors.emera.com/news/news-details/2015/Emera-to-Acquire-TECO-Energy-in-US10-4-Billion-Transaction/default.aspx>

43 “FortisBC completes deal with city”, Castanet Kelowna’s Homepage, April 2013, <https://www.castanetkamloops.net/news/Kelowna/89800/FortisBC-completes-deal-with-city>

44 “ENMAX Energy Corporation completed the acquisition of 100% stake in 115 MW gas-fuelled Cavalier plant and 50%stake in 110 MW gas-fuelled plant in Balzac from Encana Corporation for CAD 55.9 million.”, Market Screener, September 2014, <https://ca.marketscreener.com/quote/stock/OVINTIV-INC-1409827/news/ENMAX-Energy-Corporation-completed-the-acquisition-of-100-stake-in-115-MW-gas-fuelled-Cavalier-plan-38604741/>

45 “Fortis Inc. to Acquire UNS Energy Corporation for US\$4.3 Billion”, Globe Newswire, December 2013, <https://www.globenewswire.com/news-release/2013/12/11/1352074/0/en/Fortis-Inc-to-Acquire-UNS-Energy-Corporation-for-US-4-3-Billion.html>

46 “EPCOR to Buy TransCanada’s Stake in TransCanada Power”, Natural Gas Intelligence, May 2005, <https://naturalgasintel.com/news/epcor-to-buy-transcanadas-stake-in-transcanada-power/>

47 “Enmax buys Kettles Hill Wind Energy”, The Globe and Mail, June 2008, <https://www.theglobeandmail.com/report-on-business/enmax-buys-kettles-hill-wind-energy/article18452860/>

48 “Terasen Gas sold to Fortis in \$3.7B deal”, CBC News, February 2007, <https://www.cbc.ca/news/business/terasen-gas-sold-to-fortis-in-3-7b-deal-1.672309>

49 “Liberty Utilities Co. Expands Water Utility Presence with an Agreement to Acquire American Water’s Regulated Operations in New York”, Newswire, November 2019, <https://www.newswire.ca/news-releases/liberty-utilities-co-expands-water-utility-presence-with-an-agreement-to-acquire-american-water-s-regulated-operations-in-new-york-822669747.html>

50 “Algonquin Power & Utilities Corp. Completes Acquisition of Bermuda Electric Light Company Limited”, Newswire, November 2020, <https://www.newswire.ca/news-releases/algonquin-power-amp-utilities-corp-completes-acquisition-of-bermuda-electric-light-company-limited-877991996.html>

51 “Atlantica Sustainable Infrastructure plc entered into a definitive agreement to acquire District Energy Centre facility from ENMAX Corporation for CAD 27 million”, MarketScreener, November 2020, <https://in.marketscreener.com/quote/stock/ATLANTICA-SUSTAINABLE-INF-16686514/news/Atlantica-Sustainable-Infrastructure-plc-NasdaqGS-AY-entered-into-a-definitive-agreement-to-acquir-33633370/>

52 “Enbridge Completes Sale of New Brunswick Gas Business”, Enbridge, October 2019, <https://www.enbridge.com/media-center/news/details?id=123592&lang=en>

53 “Enbridge Gas Distribution Announces Sale of St.Lawrence Gas Business, Liberty Utilities Co.”, August 2017, <https://www.stlawrencegas.com/2017/08/enbridge-gas-distribution-announces-sale-of-st-lawrence-gas-business>

54 “FORTIS INC. ACQUISITION OF CH ENERGY GROUP, INC.”, FortisTCI, July 2013, <https://www.fortistci.com/news/fortis-inc-acquisition-of-ch-energy-group-inc>

55 “EPCOR To Buy \$470M American Water Assets”, Institutional Investor, April 2011, <https://www.institutionalinvestor.com/article/2bsyxve1foyjy4afssb9c/innovation/epcor-to-buy-470m-american-water-assets#:~:text=EPCOR%20Water%20will%20acquire%20regulated%20water%20and%20wastewater,a%20total%20of%20>

56 “Atco Group agrees to purchase Western Australian Gas Networks for \$1.03 billion”, Global News, July 2011, <https://globalnews.ca/news/133327/atco-group-agrees-to-purchase-western-australian-gas-networks-for-1-03-billion/>

57 “Epcor Utilities to buy Chaparral for \$35 million”, Reuters, June 2010, <https://www.reuters.com/article/idUSSGE6570GR/>

58 “Algonquin, Emera to jointly buy some NV Energy assets”, Reuters, April 2009, <https://www.reuters.com/article/technology/algonquin-emera-to-jointly-buy-some-nv-energy-assets-idUSBNG266167/>

59 “Fortis Acquires Alberta dn BC Electric Utilities, Lexpert, May 2004, <https://www.lexpert.ca/big-deals/fortis-acquires-alberta-dn-bc-electric-utilities/345005>

60 “Gaz Metro to buy Vermont’s largest electric utility”, CBC News, July 2011, <https://www.cbc.ca/news/canada/montreal/gaz-metro-to-buy-vermont-s-largest-electric-utility-1.1067727>

61 “CanREA’s annual industry data for 2023”, Canada Renewable Energy Association, January 2024, <https://renewablesassociation.ca/news-release-new-2023-data-shows-11-2-growth-for-wind-solar-energy-storage/>

62 “Canada’s Zero-Emission vehicle sales targets”, Transport Canada, October 2024, <https://tc.canada.ca/en/road-transportation/innovative-technologies/zero-emission-vehicles/canada-s-zero-emission-vehicle-sales-targets>

63 “Framework for Energy Innovation: Setting a Path Forward for DER Integration”, Ontario Energy Board, January 2023, <https://www.oeb.ca/sites/default/files/FEI-Report-20230130.pdf>

64 “ENGIE accelerates in battery storage through the acquisition of Broad Reach Power in the United States”, ENGIE, August 2023, <https://www.businesswire.com/news/home/20230824137364/en/Broad-Reach-Power-Acquired-by-ENGIE-from-EnCap-Energy-Transition-and-Apollo-Funds>

65 “EDF acquires Pod Point, one of the UK’s largest EV charging companies”, EDF, February 2020, <https://www.edfenergy.com/media-centre/news-releases/edf-acquires-pod-point>

66 “NRG Energy, Inc. to Acquire Vivint Smart Home, Inc.”, NRG, December 2022, <https://www.nrg.com/about/newsroom/2022/41771.html>

67 “NextEra Makes Billion-Dollar-Bet on Natural Gas from Landfills”, Bloomberg, October 2022, <https://www.bloomberg.com/news/articles/2022-10-28/nextera-to-buy-1-1-billion-landfill-gas-to-electric-portfolio>

68 “Municipalities in Canada with the largest and fastest-growing populations between 2011 and 2016”, Statistics Canada, February 2017, <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016001/98-200-x2016001-eng.cfm>

69 “About the Saskatchewan Municipal System”, Government of Saskatchewan, March 2025 <https://www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system#:~:text=2.,northern%20settlements%20within%20the%20NSAD>

70 “Canada’s Core Public Infrastructure Survey: Water Infrastructure, 2020”, Statistics Canada, July 2022, <https://www150.statcan.gc.ca/n1/daily-quotidien/220726/dq220726a-eng.htm>

71 “Ford Pro and Xcel Energy Collaborate to Support Installation of 30,000 EV Charging Ports for Business Fleets by 2030”, Ford., December 2023, <https://media.ford.com/content/fordmedia/fna/us/en/news/2023/12/05/ford-pro-and-xcel-energy-collaborate-to-support-installation-of-1.html>

72 “Verizon Connected Smart Grids”, Verizon., February 2025, https://www.verizon.com/business/solutions/industry/energy-and-utilities/smart-grids/?ms_ockid=11e8843a0d056be4074f90e60c9c6a84

73 “Ontario population projections”, Province of Ontario, October 2024, <https://www.ontario.ca/page/ontario-population-projections>

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper.

Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence.

EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit www.ey.com/parthenon.

© 2025 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

4714613

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca