Cassels

Powered Up Expectations: Developments in Data Centre Regulation in Ontario and Alberta

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The regulatory and electricity law surrounding data centres is changing quickly across Canada. We previously detailed the fundamentals of data centre legal frameworks here. Now, new developments in Ontario and Alberta are creating a long-term framework to support development while moving the baseline for bring-your-own-power requirements, economic and community benefits and more.

Ontario: Data Centre Playbook

On August 13, 2026, the Ontario Government released a draft framework for its Data Centre Playbook. The Data Centre Playbook Framework provides a high-level overview of how Ontario will approach data centre development, including the Province's use of the discretion over data centre electricity connections which it gave itself under Bill 40, the *Protect Ontario by Securing Affordable Energy for Generations Act, 2025*, as we previously discussed.

The Data Centre Framework is detailed in the press release for the Framework, a media backgrounder, and an official posting in the Environmental Registry of Ontario on which the government is consulting with the public.

Data Centre Playbook Elements under Consultation

Ontario is consulting on two main elements of the Data Centre Playbook: a "Strategic Priority Assessment" and a new electricity rate for data centres. Consultation on these elements of the Data Centre Playbook remains open until September 12, 2026.

The Data Centre Playbook's primary innovation is a new three pillar "Strategic Priority Assessment" to be applied alongside existing regulatory and electricity interconnection processes. The Strategic Priority Assessment would determine whether proposed data centres:

- **Pillar 1: Advance Economic Development** – This assessment would be focused on economic benefits within Ontario, in terms of jobs, growing local (and Canadian) supply chains, bringing in investment and government revenue, and helping Ontario businesses be more productive.
- **Pillar 2: Protect Data Security and Digital Sovereignty** – Here, proposed data centres would be

expected to advance Ontario's and/or Canada's control over high sensitivity and critical data, and digital infrastructure, in line with Ontarian digital sovereignty and cyber security policies, and – "where possible" – those of Canada. Ontario would prefer Canadian-owned and operated data centres.

- **Pillar 3: Invest in Communities and Earn Public Trust** – This assessment would consider community benefits, including training and employment, community engagement, and local technical, fiscal and environmental effects.

In addition to the new three pillar assessment, the Data Centre Playbook also proposes a new rate class for data centres, potentially down to those as small as 1 megawatt. This rate class would potentially not be eligible for the current Industrial Conservation Initiative (ICI). The ICI allows some large industrial consumers to be charged the largest portion of their electricity bill (the Global Adjustment) on demand during peak demand hours rather than all hours. The press release and media backgrounder also suggest that a new data centre rate class could be charged a higher rate overall and that the purpose for this higher rate is to ensure that data centres pay for the cost of their impact on the electricity system.

Data Centre Playbook General Policy Commitments

The press release and media backgrounder for the Data Centre Playbook also state that the Government of Ontario:

- May provide non-financial support for data centres, but only non-financial support, such as white glove service and permitting facilitation;
- May consider proponent plans to bring their own power; and
- Will prioritize data centres that use closed-loop water systems and other cutting edge noise reduction and heat recovery technologies.

These policy commitments and the Data Centre Playbook overall position Ontario to speed up the approval of data centres which support provincial policy objectives.

Alberta: Data Centre Regulation

On June 9, 2026, the Alberta Government enacted the *Data Centre Regulation*, creating a long-term framework for data centre electricity connections in the province. Under the Data Centre Regulation, the provincial electric system operator, the Alberta Electric System Operator (AESO), is empowered to support data centres to bring their own generation or energy storage. The AESO will further develop this framework through Independent System Operator Rules.

Data centres that bring their own generation are referred to as "tethered data centres". Tethered data

centres must not have a maximum load higher than the generation or energy storage they are tethered to, and these projects must generally proceed together through the interconnection process.[1] The generation or energy storage for tethered data centres must be new or a new category of “underutilized generation and storage".[2] In circumstances where the AESO considers it appropriate, a data centre can connect up to three years in advance of its tethered generation or energy storage, as what is called a “bridged data centre”.[3]

In exchange for these restrictions, tethered data centres are to be given priority in interconnection.[4] In fact, given capacity limitations, it is likely that only tethered data centres will be able to be connected to Alberta’s grid in coming years. The AESO will also be required to restrict power to bridged data centres and large data centres first in situations of constrained power supply and load shedding.[5]

The AESO has also indicated that, initially at least, only natural gas-fired generation may be eligible to support tethered data centres.[6]

The *Data Centre Regulation* demonstrates that Alberta’s approach to data centre regulation will be tightly focused on requiring data centres to bring their own power, while otherwise relying on existing regulatory frameworks. Alberta shows no indication of requiring economic and security benefits like those considered under Ontario’s Data Centre Playbook. Alberta’s existing regulatory frameworks, however, have demonstrated that they can and do seriously consider local impacts, as for instance in the Alberta Utilities Commission’s recent rejection of Synapse Real Estate Corp.’s data centre proposal in Olds, as we discussed. The Alberta Government is also moving to address vocal community opposition with a series of town halls in affected areas. These have to date been contentious events. The Government has also indicated that further regulation, for instance on property setbacks, may be coming.

Conclusion

The Data Centre Playbook indicates that proposed data centres in Ontario will have to work hard to demonstrate their co-benefits to the Province. At the same time, Alberta’s *Data Centre Regulation* requires bring-your-own-power while taking a lighter hand otherwise. This area of regulatory and electricity law continues to evolve rapidly.

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[1] *Data Centre Regulation*, ss. 5 and 8

[2] *Data Centre Regulation*, ss. 4-5

[3] *Data Centre Regulation*, s. 9

[4] *Data Centre Regulation*, s. 6

[5] *Data Centre Regulation*, s. 10

[6] AESO, Large Load Integration Phase 2A, Proposed BYOG Process, June 26, 2026, PDF 4 of 29

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