



**Canadian
Environmental Law
Association**
EQUITY. JUSTICE. HEALTH.



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Delivered by Email:

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RE: Economic and Strategic Assessment Framework for New Data Centres (ERO #026-0853)

The Canadian Environmental Law Association (CELA) and the Low-Income Energy Network (LIEN) provide these comments in response to the following Ministry of Energy and Mines proposal: *Economic and Strategic Assessment Framework for New Data Centres* (ERO 026-0853)¹ and the associated Data Centre Playbook.² CELA agrees with the principle that electricity costs for consumers, especially low-income consumers, should not be impacted by any decisions to allow new largescale data centres to connect to the electricity grid. The proposal, however, does not yet demonstrate how this will be achieved with the new electricity rate class that is proposed.

As well, the cumulative impacts of new large developments like data centres must be considered, along with the full environmental footprint including water quality and quantity impacts, prior to any decisions. Accordingly, siting criteria are thus also needed.

A much more open, transparent, public process is essential to ensure the local community, which will be most impacted by decisions to expand largescale data centres in Ontario, have a say in environmental decisions that impact them.

PART 1: INTRODUCTION

a. Background

Canadian Environmental Law Association (CELA) is a legal aid clinic dedicated to environmental equity, justice, and health. Founded in 1970, CELA is one of the oldest advocates for environmental protection in the country. CELA provides free legal services relating to

¹ See <https://ero.ontario.ca/notice/026-0853> [ERO-026-0853].

² Ontario, Ministry of Energy and Mines, *The Data Centre Playbook* (13 August 2026) at 5, online (pdf): Government of Ontario <https://news.ontario.ca/assets/files/20260813/652439f5209093b5a8a7f0f12c795c1e.pdf> [Playbook].

environmental justice in Ontario, including representing low-income, under-represented and under-served communities. CELA also works on environmental legal education and law reform initiatives.

CELA has a longstanding interest in Ontario's environmental assessment regime, land use planning regime, water quality and water quantity protection, and in ensuring that environmental decision-making is transparent, accountable, and informed by meaningful public participation. CELA has regularly participated in environmental law reform initiatives concerning the assessment and approval of projects with potentially significant environmental effects.

These comments also draw on the perspective of the Low-Income Energy Network (LIEN), a joint initiative of CELA and the Advocacy Centre for Tenants Ontario. LIEN represents the interests of low-income electricity and natural gas consumers in regulatory and policy proceedings across Ontario, with a focus on energy affordability, equitable rate design and protecting low-income households from bearing costs they did not create.

PART 2: THE PROPOSED FRAMEWORK UNDER ERO-026-0853

Under ERO 026-0853, the Ministry of Energy and Mines ("Ministry") proposes an Economic and Strategic Assessment Framework for new data centres seeking to connect to Ontario's electricity grid. The proposed framework would be used to assess data centre projects where electricity capacity is limited and to inform government decisions about which projects should be permitted to connect to the grid. The proposed framework includes three strategic pillars:

- Pillar 1: Advance Economic Development;
- Pillar 2: Protect Data Security and Digital Sovereignty; and
- Pillar 3: Invest in Communities and Earn Public Confidence.

Under Pillar 3, data centres would be assessed based on matters including benefits to host communities, local labour participation, community engagement, impacts on local infrastructure and utilities, and environmental impacts.

The Ministry is also consulting on a separate electricity rate class for new data centres. According to the Ministry, the proposed rate class is intended to ensure that data centres pay the electricity system costs associated with their development and that those costs are not shifted to existing electricity customers.

On August 13, 2026, the Ontario government released a draft framework for its [Data Centre Playbook](#) ("Playbook"), alongside the 30-day public consultation (as per ERO 026-0853). The proposal states that the Playbook is intended to guide government decisions on data centre

connection approvals and that, as part of the Playbook, proposed data centres would be assessed against the three strategic pillars described above.

In particular, the Playbook considers two assessments for proposed data centre connections. A Strategic Priority Assessment would consider a project against the three strategic pillars, while a System Impact Assessment would consider connection feasibility, impacts on the electricity system, required system investments and associated costs.

Accordingly, the proposal itself must be considered within the broader context of the Playbook. ERO 026-0853 sets out the proposed economic and strategic assessment criteria, while the Playbook illustrates how that assessment would fit within the broader process for deciding which data centre projects may connect to the grid.

PART 3: COMMENTS AND RECOMMENDATIONS

a. Environmental Impacts and Cumulative Effects Must Be a Priority

The proposed framework does not adequately consider the environmental impacts of data centre development or clearly explain how those impacts will inform decisions about connections to the electricity grid.

In the proposed framework, environmental considerations appear exclusively under ‘Pillar 3: Invest in Communities and Earn Public Confidence,’ where it is stated that data centres should “minimize environmental impacts,” including through technologies such as closed-loop cooling to reduce water use.³ The accompanying Playbook identifies a broader range of potential impacts, including noise, water use and contamination, heat, air emissions and pollution, and electronic waste, but without explaining how those impacts will be minimized.⁴ It also identifies technologies that may reduce some of these environmental impacts, such as closed-loop and waterless cooling, noise-reduction measures, and waste-heat recovery.⁵ However, the proposed framework does not establish environmental impacts as distinct assessment criteria or explain how environmental impacts will be evaluated. The proposed Framework also does not set mandatory environmental or efficiency standards. In its current form, it is not sufficient to ensure that the full breadth of environmental impacts on local communities are considered before decision-making on data centre development and connections to the grid are made.

³ [ERO-026-0853](#).

⁴ [Playbook](#) at slide 5, footnote 4.

⁵ [Playbook](#) at slide 8.

Data centres can have significant environmental impacts, including high electricity and water use, wastewater discharges, air emissions, noise and electronic waste.⁶ These impacts vary depending on a facility's size, location, energy source, cooling system and other design and operating features.⁷ Accordingly, use of a particular technology or cooling technique should not replace an assessment of the facility's actual environmental effects. For example, as discussed in a recent Canadian Centre for Policy Alternatives article, while closed-loop cooling may reduce water use, it can also increase electricity demand and require chemicals such as glycol and anti-corrosives, potentially reducing one form of environmental impact while increasing others.⁸ Hence, technologies that reduce one environmental impact should not be assumed to reduce a facility's overall environmental footprint. All relevant environmental impacts must be considered.

The proposed framework should require an assessment of each proposed data centre's expected environmental effects, including its electricity and water needs and the availability of those resources; wastewater, emissions and waste; impacts on local communities and ecosystems; and measures to avoid or reduce harmful effects. These issues should be considered early in the assessment process, before significant electricity-system capacity or infrastructure has been committed to a project. Clear and transparent criteria are also needed so that developers, communities and decision-makers understand how environmental impacts will be weighed in relation to connection decisions.

The Ministry estimates that proposed new data centres seeking grid connections could add more than 10,000 MW of electricity demand - equivalent to about 40% of Ontario's current peak demand of approximately 25,000 MW.⁹ However, the proposed framework does not expressly address cumulative effects. Several largescale data centres may collectively place significant demands on electricity infrastructure, municipal water systems, groundwater, wastewater infrastructure and surrounding ecosystems, particularly where resources may already be limited or where communities and ecosystems are already under environmental stress. It is critical that the cumulative effects of the environmental burden of a new data centre are considered in the context of the state of the local environment, other data centre proposals, and other industrial proposals that will impact the same community and watershed.

⁶ Miguel Yañez-Barnuevo, "Data Centers and Water Consumption" (25 June 2025), online: Environmental and Energy Study Institute <https://www.eesi.org/articles/view/data-centers-and-water-consumption> [[Data Centres and Water Consumption](#)]; Canada School of Public Service, "Unpacking the Environmental Effects of AI" (17 December 2025), online: Government of Canada <https://www.csp-s-efpc.gc.ca/tools/articles/ai-environmental-effects-eng.aspx> [[Unpacking the Environmental Effects of AI](#)].

⁷ [Data Centres and Water Consumption](#); [Unpacking the Environmental Effects of AI](#).

⁸ Rachel Pettigrew, "Ontario's New AI Data Centre Playbook Is Flawed. We Can Fix It" (18 August 2026), online: Canadian Centre for Policy Alternatives <https://www.policyalternatives.ca/news-research/ontarios-new-ai-data-centre-playbook-is-flawed-we-can-fix-it/> [[Ontario's New AI Data Centre Playbook Is Flawed](#)].

⁹ [ERO-026-0853](#).

RECOMMENDATION 1: CELA and LIEN recommend that environmental protection be an explicit and meaningful consideration under the proposed framework. A fulsome environmental analysis should be conducted prior to decisions about whether to allow a new data centre to connect to the electricity grid.

RECOMMENDATION 2: The framework should require assessment of all project-specific environmental impacts, site-specific conditions, existing environmental pressures and the cumulative effects of existing, approved and reasonably foreseeable development, including other data centre development. Environmental criteria should be clear, measured and applied early enough in the approval process to meaningfully inform whether, where, and under what conditions a proposed data centre should be permitted to connect to Ontario's electricity grid.

b. The Framework Must Address Water Quantity and Water Quality

CELA and LIEN are concerned that the proposed framework does not adequately address the impacts of proposed data centres on both water quality and water quantity. The proposal, and the Playbook, identify closed-loop cooling as an example of technology that can reduce water use but does not establish criteria specific to data centres for assessing water withdrawals and consumption, wastewater generation or overall impacts on water quality.¹⁰

Data centres can require significant amounts of water for cooling, depending on their size, cooling technology, climate, and operating conditions.¹¹ Even a relatively small 1 MW data centre can use nearly 26 million litres of water each year.¹² The significance of this water use depends on the water source and local conditions.

Water quality and wastewater must be considered. Data centre cooling systems may use treatment chemicals, including biocides and corrosion inhibitors, and cooling-water discharges may contain these chemicals as well as metals associated with corrosion.¹³ The framework should therefore assess and mandate limits on how much water a facility will withdraw and consume, but also the amount and quality of wastewater it will produce, how that wastewater will be treated and to what standards, and where it will be discharged.

There must also be a cumulative assessment of whether enough water is available to support a proposed data centre without adversely affecting drinking water supplies, other water users, or nearby aquatic ecosystems. The proposed framework should thus consider existing demands on

¹⁰ [ERO-026-0853](#); [Playbook](#) at slide 8.

¹¹ [Data Centres and Water Consumption](#).

¹² [Unpacking the Environmental Effects of AI](#).

¹³ [Data Centres and Water Consumption](#); [Ontario's New AI Data Centre Playbook Is Flawed](#); Christopher Tozzi, "4 Strategies for Eliminating Data Center Water Pollution" (11 November 2025), online: <https://www.datacenterknowledge.com/sustainability/4-strategies-for-eliminating-data-center-water-pollution>.

municipal water systems, groundwater and surface water, as well as reasonably foreseeable demands from other data centres and developments in the area. Ultimately, several facilities that may not cause significant impacts individually may create significant cumulative pressures when considered together.¹⁴ The electricity connection assessment should therefore consider these cumulative demands even where individual facilities have obtained the necessary water-related approvals.

The proposal does not refer to the *Ontario Water Resources Act* (“OWRA”) or explain how the proposed framework would interact with existing requirements for water takings and water quality. For instance, section 34 of OWRA generally requires a Permit to Take Water (“PTTW”) for water takings above 50,000 litres per day.¹⁵ The PTTW program is intended to protect existing water users and the environment by considering the impacts of proposed water takings but that assessment would post-date a decision on connection to the electricity grid.¹⁶ At the same time, compliance with existing permits and approvals does not replace broader consideration of a proposed data centre’s water demands when determining whether it should receive an electricity connection.

RECOMMENDATION 3: CELA and LIEN recommend that the proposed framework require proponents to disclose and assess anticipated water withdrawals and consumption, water sources, cooling technologies, wastewater generation and discharge, and potential water quality impacts. The assessment should consider site-specific water availability, impacts on drinking water sources and aquatic ecosystems, existing environmental pressures, and cumulative demands from existing, approved and reasonably foreseeable development.

c. Siting Criteria Should Be Included

The assessment framework should include siting criteria. New data centre development should be totally excluded from sensitive areas already facing development pressures, including wetlands, prime agricultural land, and ecologically protected or sensitive areas. Any new site proposed for development of a new data centre should be assessed to ensure that it does not disproportionately burden low-income or other under-served or under-represented communities.

RECOMMENDATION 4: The Framework should incorporate siting criteria which ensure that low-income, under-served and under-resourced communities are not disproportionately impacted by new data centre development. New data centre development should be excluded from sensitive land use areas.

¹⁴ [Data Centres and Water Consumption](#).

¹⁵ [Ontario Water Resources Act](#), RSO 1990, c O.40, s 34(1).

¹⁶ Ontario, Ministry of the Environment, Conservation and Parks, “Environmental Permissions for Water Taking”, online: Government of Ontario <https://www.ontario.ca/page/environmental-permissions-water-taking>.

d. Data Centres Should Bear the Full Electricity-System Costs Associated with Their Development

CELA and LIEN support the proposed framework's stated principle that new data centres should bear the full electricity-system costs associated with their development rather than shifting those costs to existing electricity customers.¹⁷ The Playbook similarly states that data centres should pay the full cost of the electricity they use and any necessary generation and transmission upgrades.¹⁸ However, more analysis of the proposed new electricity rate class is needed to ensure that this objective is realized.

CELA supports the objective of ensuring that new data centres pay the full costs of their electricity usage, in particular because low-income consumers already struggle with energy poverty and cannot afford to subsidize data centre growth. Low-income households generally have less ability to afford higher electricity bills and should not be required to subsidize infrastructure needed to serve large new industrial loads.¹⁹ Current energy poverty programs will not mitigate concerns about overall systems costs increasing. For instance, low-income electricity consumers who receive the Ontario Electricity Support Program are credited with a fixed amount every month regardless of overall systems costs. Low-income electricity users would still be impacted if overall electricity costs increase. Any review of costs should look at the impact on different income levels, not just the average customer. A rate change could look acceptable on average but still be burdensome and unfair for low-income households, especially households that already spend a large share of their income on energy.

With respect to the Global Adjustment portion of energy bills, a new rate class must ensure it truly captures the full cost of any increase to the overall Global Adjustment rate. Class A large industrial customers currently pay only a share of the Global Adjustment based on how much power they use during five peak hours a year. Once these Class A customers pay their reduced share, the rest of the Global Adjustment cost is paid by everyone else, called Class B customers, which includes regular households and low-income ratepayers. If data centres are given this same treatment, or if the new rate class works in a similar way, more of the Global Adjustment cost could end up on the bills of regular households instead of the data centres that caused the increase. That approach should not be used for new data centres. A robust analysis of whether the new rate class should participate in demand response should be included, and any demand

¹⁷ [ERO-026-0853](#).

¹⁸ [Playbook](#) at slides 4-5.

¹⁹ Brett Dolter & Jennifer Winter, *Electricity Affordability and Equity in Canada's Energy Transition: Options for Rate Design and Electricity System Funding* (Canadian Climate Institute, 2022) at 10, online: Canadian Climate Institute <https://climateinstitute.ca/wp-content/uploads/2022/09/Electricity-and-equity-canadas-energy-transition.pdf>.

response option for data centres should come with a clear guarantee that it will not shift costs onto Class B customers.

New connections to the electricity grid either through a local distribution company or directly to the provincial grid may result in an increase in costs to the overall rate base, for instance for transmission and distribution infrastructure. A new rate class must consider how to ensure those costs are charged directly to data centres and are not resulting in increased general systems costs.

The potential consequences of not appropriately allocating the costs of new electricity usage and infrastructure are already apparent elsewhere in Canada. A [Pembina Institute analysis](#) estimates that a proposed hyperscale data centre in Alberta could increase electricity costs for an average household by approximately \$267 to \$462 per year between 2027 and 2031 under Alberta's current policy framework.²⁰ Although Ontario's electricity system differs from Alberta's, this example demonstrates the potential for data centre development to impose significant costs on existing customers if the costs of new infrastructure and electricity supply are not fully assigned to proponents.

The proposed framework should also consider how to ensure that new energy generation for large scale data centre development does not result in an overall increase in greenhouse gas emissions and harmful pollutants. If new data centers propose to generate their own electricity, the Ontario government should include a requirement that new data centre development source electricity from 100% renewable energy sources that aligns in real time with renewable energy generation on the grid.²¹ Any grid upgrades or new generation proposed to serve increased demand from largescale data centre development should be renewable. The cost of meeting this real time matching requirement should be paid for by the data centre itself. It should not be added to the Global Adjustment or otherwise spread across other customers' bills.

A cautious approach to data centre development is recommended. The proposed framework should incorporate concerns about asset stranding, and the overall increase in costs to the rate base, if the new demand for electricity from large-scale data centre development does not materialize.²²

RECOMMENDATION 5: CELA and LIEN support the creation of a new electricity rate-class if it is designed to ensure that new data centre proponents bear the full electricity-system costs

²⁰ [Footnote the Bill](#).

²¹ Environmental Defence Canada, *Environmental and Climate Considerations of AI and Data Centers*, Policy Note (Environmental Defence Canada) at 1, November 2025, online at Environmental Defence Canada https://environmentaldefence.ca/wp-content/uploads/2026/02/PolicyNote_AI_EDC_2025.pdf

²² Mark Winfield, "Public Backlash Against Data Centres Unites Canadians and Americans; Raises Questions Energy, Finance, and Public Acceptance of AI", August 25, 2026, online at York University <https://marksw.blog.yorku.ca/2026/08/26/public-backlash-against-data-centres-unites-canadians-and-americans-raises-questions-about-energy-finance-and-public-acceptance-of-ai/>

attributable to connecting and serving their facilities. The government should also publicly report - on an ongoing basis, after the rate class takes effect - how costs are actually being split between the new data centre rate class and other customers, so the public can confirm that costs are not being shifted onto regular households over time.

RECOMMENDATION 6: CELA and LIEN recommend that the government publish an affordability assessment which would assess costs for low-income consumers as a result of the new electricity rate class being proposed, prior to the rate class being finalized. CELA and LIEN recommend that this assessment be updated on a regular basis after the rate class takes effect so that any unexpected cost increases for low-income households can be fixed.

RECOMMENDATION 7: If new large data centres rely on their own electricity generation, the Ontario government should require that new data centre development source electricity from 100% renewable energy sources.

e. The Proposed Framework Should Require Transparency and Public Participation

CELA and LIEN are concerned that the proposed framework does not clearly identify what information data centre proponents will be required to disclose or whether the information used to assess proposed projects will be publicly available. Public participation in decisions that impact local communities is essential. Although the proposal identifies factors that may be considered under its three strategic pillars, neither it nor the Playbook establish public disclosure requirements or explain whether project assessments will incorporate the views of the public.²³

Meaningful public participation requires access to enough information to understand a proposed project and its potential environmental effects. Proponents should therefore be required to disclose information about projected electricity demand, water withdrawals and consumption, water sources, wastewater generation and discharge, cooling systems, backup generation, air emissions, noise and electronic waste. The public must have a say in decisions that affect their local community and their health. An explicit process to gather, consider, and incorporate public feedback is needed.

Once a facility is operating, actual resource use and environmental impacts should also be disclosed so that projected impacts can be compared with actual impacts.

Public disclosure is also necessary to understand cumulative effects of a proposal. Information about individual facilities should be reported in a consistent and accessible form so that the Ministry, municipalities, Indigenous communities and the public can understand the combined

²³ [ERO-026-0853](#); [Playbook](#).

resource demands and environmental impacts of multiple data centres, other developments, and the baseline conditions in the same area.

In this regard, the Ministry should also publicly document its assessment and reasons for connection decisions. The Playbook describes the proposed framework as an evidence-based and transparent approach to connection decisions.²⁴ Transparency, however, requires disclosure of information, an opportunity for public comment, a process to consider and incorporate public comments into decisions, and published decisions. Hence, the information relied upon, the assessment against applicable criteria, and the reasons for the resulting decision should be publicly accessible.

RECOMMENDATION 8: CELA and LIEN recommend that the proposed framework require standardized and accessible public disclosure of the information needed to assess a data centre's environmental and resource impacts, including projected and actual electricity usage, water use, wastewater generation, cooling systems, backup generation, air emissions, noise and electronic waste.

RECOMMENDATION 9: The government's decision-making framework must gather, consider, and incorporate public feedback.

RECOMMENDATION 10: The government should publicly disclose its assessment and reasons for connection decisions.

PART 4: SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1: CELA and LIEN recommend that environmental protection be an explicit and meaningful consideration under the proposed framework. A fulsome environmental analysis should be conducted prior to decisions about whether to allow a new data centre to connect to the electricity grid.

RECOMMENDATION 2: The framework should require assessment of all project-specific environmental impacts, site-specific conditions, existing environmental pressures and the cumulative effects of existing, approved and reasonably foreseeable development, including other data centre development. Environmental criteria should be clear, measured and applied early enough in the approval process to meaningfully inform whether, where, and under what conditions a proposed data centre should be permitted to connect to Ontario's electricity grid.

RECOMMENDATION 3: CELA and LIEN recommend that the proposed framework require proponents to disclose and assess anticipated water withdrawals and consumption, water sources,

²⁴ [Playbook](#) at slide 5.

cooling technologies, wastewater generation and discharge, and potential water quality impacts. The assessment should consider site-specific water availability, impacts on drinking water sources and aquatic ecosystems, existing environmental pressures, and cumulative demands from existing, approved and reasonably foreseeable development.

RECOMMENDATION 4: The Framework should incorporate siting criteria which ensure that low-income, under-served and under-resourced communities are not disproportionately impacted by new data centre development. New data centre development should be excluded from sensitive land use areas.

RECOMMENDATION 5: CELA and LIEN support the creation of a new electricity rate-class if it is designed to ensure that new data centre proponents bear the full electricity-system costs attributable to connecting and serving their facilities. The government should also publicly report - on an ongoing basis, after the rate class takes effect - how costs are actually being split between the new data centre rate class and other customers, so the public can confirm that costs are not being shifted onto regular households over time.

RECOMMENDATION 6: CELA and LIEN recommend that the government publish an affordability assessment which would assess costs for low-income consumers as a result of the new electricity rate class being proposed, prior to the rate class being finalized. CELA and LIEN recommend that this assessment be updated on a regular basis after the rate class takes effect so that any unexpected cost increases for low-income households can be fixed.

RECOMMENDATION 7: If new large data centres rely on their own electricity generation, the Ontario government should require that new data centre development source electricity from 100% renewable energy sources.

RECOMMENDATION 8: CELA and LIEN recommend that the proposed framework require standardized and accessible public disclosure of the information needed to assess a data centre's environmental and resource impacts, including projected and actual electricity usage, water use, wastewater generation, cooling systems, backup generation, air emissions, noise and electronic waste.

RECOMMENDATION 9: The government's decision-making framework must gather, consider, and incorporate public feedback.

RECOMMENDATION 10: The government should publicly disclose its assessment and reasons for connection decisions.

CONCLUSION

The increase in large-scale data centre proposals requires careful consideration. CELA and LIEN support Ontario's efforts to manage growing electricity demand from new data centres and to ensure that low-income consumers are not affected. However, the proposed framework outlined in ERO-026-0853 and the Data Centre Playbook do not adequately consider the potentially significant environmental impacts associated with largescale data-centre development.

The potential impacts associated with this proposal must be considered both at the level of an individual facility, and cumulatively. Multiple data centres within the same region may place significant and combined demand and strain on electricity infrastructure, municipal and groundwater supplies, and surrounding ecosystems. CELA and LIEN therefore recommend that environmental protection be made an explicit and substantive consideration in determining whether new data centres should be permitted to connect to Ontario's electricity system.

CELA and LIEN support the creation of a new electricity rate class to require data centres to cover their full electricity systems costs. The design of the new rate class should ensure that data centres bear the full electricity-system costs associated with their development.

The public must understand proposals that could impact their communities and have an opportunity to comment on those proposals. Government decision-making on whether to allow a new data centre to connect to the electricity grid should incorporate public feedback and be made public.

CELA appreciates the opportunity to comment on the proposed framework and looks forward to further engagement on this important topic.

Sincerely,



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Luke Eisen
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