

Protecting Local Growth Priorities by Securing Electrical Capacity

AMO'S SUBMISSION TO:

ERO CONSULTATION 025-1001

ERO CONSULTATION 025-0993

REGULATORY REGISTRY CONSULTATION 25-ENMD021

REGULATORY REGISTRY CONSULTATION 25-ENMD022

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Executive Summary

The Association of Municipalities of Ontario (AMO) is pleased to comment on various proposals related to Bill 40, *Protect Ontario by Securing Affordable Energy for Generations Act*, and the *Affordable Energy Act*. AMO supports decisions about Ontario's electricity system that plan for future economic growth, strengthen our energy sovereignty, or that are in the national interest. Municipalities are experiencing an increase in data centre proposals at the same time as historical housing and economic development growth opportunities place increased demand on our strained electrical distribution and transmission system. AMO welcomes the province's leadership in developing a prioritization framework for large load facilities like data centers. This framework will allow for informed decisions that balance competing electricity demands, ensuring that top priorities like new housing and economic development are not hindered by infrastructure capacity limits created by large load projects.

Embedding economic growth into the planning process for our electricity system, and introducing a framework to coordinate the connection of data centres to the electrical grid presents opportunities to deliver growth-enabling electricity infrastructure is available when and where it is needed, and host communities have the opportunity to see the benefits of projects that consume large amounts of electricity and draw on local services.

We understand that Bill 40 and the proposed regulations speak to "specified load facilities" which will include data centres at first but could later expand to other types of facility with high electricity demand. While this submission speaks specifically to data centres, we have also considered to how the proposed framework and our recommendations may affect other projects if the definition changes.

Planning for an Energy System that Support Future Economic Growth

ERO 025-0993 and RR 25-ENDM022

AMO supports embedding economic growth as a consideration for Ontario's energy regulators decision making processes. This is an important step to ensure energy system planners are working to meet the ambitious growth that municipalities, Ontario and Canada are planning. Our shared economic success relies on being able to deliver growth and trade-enabling infrastructure like a clean, reliable, and affordable energy system when and where it is needed.

We understand the government is considering restricting foreign participation in Ontario's energy sector. AMO supports giving priority to Canadian owned companies and energy projects. We also encourage the province to also prioritize projects that ensure economic benefits accrue to host communities. However, municipalities are concerned that over-restricting procurement based on country-of-origin may result in an unintended shortage of electrical components that are not currently manufactured domestically. This could impact the costs, timelines, and fiscal viability of maintaining existing energy infrastructure or delivering new projects. We recommend that the province take an approach similar to the [Procurement Restriction Policy](#) that allows continued foreign procurement – including from restricted countries – where they are the only viable source for the good or service.

A Framework for Data Centres and Large Load Facilities

ERO 025-0993, ERO 025-1001, RR 25-ENDM021, RR 25-ENDM022

AMO supports, in principle, a framework prioritizing electricity for data centres that enable the province's economic resiliency and growth. This support is based on the understanding that the framework would not prioritize data centre connections over all other government priorities but rather coordinates electrical connections for the many growth and trade-enabling priorities that municipalities are working hard to deliver in partnership with the provincial and federal governments. This includes new housing, hospitals, manufacturing centres, critical mineral extraction and processing projects, and any future projects of provincial and national importance, among others.

Municipalities recognize that domestic data centres are strategic opportunities to improve Canada's data sovereignty, cybersecurity, and high-tech sector. At the same time, municipalities are concerned that the high utility demand that data centres place on finite and in some places, already-strained, local capacity could lead to data centres "blocking" other high priority projects. AMO supports a balanced approach of establishing a framework for Ontario to take a comprehensive approach to prioritizing competing development projects and priorities by setting requirements for data centres to connect to the electrical grid.

To help take advantage of the economic advantages data centres can provide, while protecting the ability to deliver on other priority projects, AMO recommends that the province's connection framework include:

- A requirement to demonstrate that a proposed project will not undermine the ability to deliver other provincial or municipal priorities (e.g. housing targets, clean, reliable and affordable energy supply, trade-enabling growth, etc.)
- Priority for Canadian owned companies
- Priority for projects that offer a community benefit agreement to ensure economic benefits accrue to host communities
- Priority for projects that include co-location of energy generation or storage to offset demand on the electrical grid
- A collaborative process for the review of proposed facilities that involves municipalities
- A commitment to maintain full municipal planning and development approvals after a decision is made regarding electrical grid connections

Managing Competing Demands on Utility Capacity

The most important consideration for determining whether to move forward with a data centre or other large load facility is ensuring that the availability of service capacity needed to deliver other growth and trade enabling projects is not undermined.

Municipalities support restricting or prohibiting data centre connections where doing so would limit the available distribution or transmission capacity in the area such that it would impact the availability of reliable, affordable and clean electricity for existing residents and businesses, as well as the ability of other projects from moving forward. AMO also recommends giving priority to data centre proposals that include co-location with electricity generation or storage assets to offset the demand on the electrical system and contribute towards the province's priority of growing our energy supply.

Similarly, while the proposed regulation focuses on electrical connections, other utilities face similar capacity challenges if high-load data centres connect – notably if a project proposes to use local water or wastewater systems for cooling systems. For this reason, AMO recommends that any proposed data centre demonstrate that it would not undermine the ability of the local utility capacity to deliver other provincial or municipal priorities. This should include a commitment to maintain the role of local approvals (e.g. land use planning, infrastructure planning) for data centres alongside the new connection framework.

To help coordinate review of local capacity, impact to provincial and municipal priorities, and to align approvals timelines, we recommend that the process to determine if connection criteria are met include a requirement for a collaborative review process that includes the province, project proponents, transmitters, distributors, and municipalities.

Data Sovereignty and Economic Benefits

AMO is pleased that the province is considering prioritizing data centres that demonstrate economic, strategic, security and local community benefits. In particular, we understand that domestic data centres can offer stronger cybersecurity and protection of data sovereignty because they are subject to Canadian and Ontarian regulation.

The increasing use of digital and artificial intelligence-based solutions presents economic opportunities at the provincial and federal level. But municipalities also

recognize that the local benefits of hosting a data centre are limited compared to more traditional economic projects despite placing similar or greater demands on local electrical and water services and industrial land availability. Simply put, the benefits of data centres are more likely to be provincial or federal, while the potential costs and trade-offs mainly fall on municipalities.

To maximize the potential benefits of data centres at all levels, AMO recommends that the connection criteria give priority to Canadian owned companies, and to projects that can demonstrate economic benefits that accrue to host communities. Any strategy should also be aligned with the ongoing development of a federal data centre strategy. There are many forms that this could take, including offering a community benefit agreement, allocating a portion of data storage to local municipalities, or employment opportunities for local residents - especially beyond the time-limited construction phase. In order to provide flexibility to meet local, or project specific needs, it may be beneficial to provide examples to project proponents of how to meet a local economic benefit criteria without imposing a one-size-fits-all requirement. The collaborative review process described previously in this submission would provide a venue to discuss and identify what options make sense for a given project.

Conclusion

AMO supports the principles that the proposed framework for data centre connections is based on – coordinating the connection of large load facilities to the electrical grid, and prioritizing projects that deliver economic and strategic benefits. This framework provides an opportunity to make sure we can protect and advance Ontario's digital advantage, without sacrificing other important priority growth opportunities including housing and trade-enabling development. Importantly, it can also help ensure that communities that host data centres receive the benefits that would otherwise be unlikely to materialize locally.