Data centre regulation in Alberta

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Alberta has emerged as one of Canada's most proactive jurisdictions for the development of large-scale data centres, particularly those supporting artificial intelligence (AI). Through a combination of targeted legislation, intergovernmental coordination, and policy direction to energy regulators, the province has adopted a regulatory approach that departs in important respects from the traditional treatment of large industrial electricity loads.

Key takeaways for proponents

- Alberta is modernizing its regulatory framework to accelerate approval timelines and incentivize data centre projects that supply their own power.
- Alberta offers regulatory flexibility not available in many other Canadian jurisdictions, particularly for self-supplied or hybrid power models.
- Data centres may be subject to non-standard utility connection requirements under regulations permitted under Bill 8, rather than the uniform treatment traditionally applied to large loads.
- Early integration of generation, load, and regulatory strategy is critical to managing approval risk.
- Federal-provincial alignment improves certainty for large scale AI infrastructure investments.

Alberta's unique regulatory and policy approach to Data Centres

A foundational feature of Alberta's approach is the treatment of data centres as strategically significant infrastructure rather than ordinary commercial electricity consumers. Alberta's Artificial Intelligence Data Centres Strategy positions data centres as critical to economic diversification, innovation, and Canada's emerging "sovereign compute" objectives. This framing has informed subsequent legislative and regulatory actions aimed at accelerating development while positioning Albertans to benefit from long-term economic returns. For proponents, this means data centre projects are increasingly assessed through a broader public-interest lens that extends beyond conventional utility considerations such as load size or connection timing.

Emphasis on "Bring Your Own Power"

Perhaps the most distinctive element of Alberta's framework is its explicit preference for data centres that supply their own electricity or otherwise add net new generation. Although the Alberta Electric System Operator's (AESO) interim Phase 1 approach has allocated 1,200 MW for data centre connection requests, provincial policy statements acknowledge that the scale of proposed data centre demand far exceeds the capacity Alberta's grid can accommodate without affecting reliability or affordability.

As a result, Alberta has signalled that projects which rely primarily on self-supply—or structured arrangements that avoid drawing on grid capacity—will be prioritized. This approach materially alters the traditional utility connection model. Instead of competing solely through the AESO's standard system access queue, proponents are encouraged to integrate generation, load, and connection planning from the outset.

There are multiple data centre projects currently under review by the AESO, and a map of data centre connection applications is available on the AESO website. For more information about Alberta's AI Data Centre Mandate see BLG's October 2025 article.

Alignment with Federal Policy through the Canada–Alberta MoU

Alberta's approach is further distinguished by its coordination with federal policy through the recent Canada–Alberta Memorandum of Understanding (MoU). The MoU commits both governments to expanding electricity capacity to support AI and data centre infrastructure and aligns Alberta's initiatives with Canada's Sovereign AI Compute Strategy.

Notably, the MoU contemplates federal flexibility in the application of the *Clean Electricity Regulations* in Alberta, reducing the risk that federal emissions constraints could impede timely access to power for data centre projects.

Expanded (yet uncertain) regulatory flexibility

Recent changes to Alberta law enacted by the *Utilities Statutes Amendment Act, 2025* (formerly Bill 8) confer on the Minister of Affordability and Utilities and the AESO broad authority to make rules and regulations in respect of data centres. These tools will presumably be used to enact a framework for accommodating and potentially facilitating data centre connection, although no such framework has yet been announced. Among other things, the Minister may now:

- define different classes of data centres
- regulate electricity system access,
- impose load management or load shedding requirements, and
- exempt data centres from requirements under the *Electric Utilities Act*.

The AESO is also now specifically empowered to make rules regarding data centres. Uniquely among AESO rules, these rules will not be subject to challenge on the grounds that they do not support the "fair, efficient and openly competitive operation of the electricity market".

The powers conferred by these amendments indicate a clear intention to entrust to the executive branch the connection and accommodation of data centres on the Alberta

system, and potentially to chart a new course unconstrained by the rules and principles that have traditionally governed that system. This extraordinary approach empowers the Government to react quickly and decisively to the pace and disruptive potential of intensive data centre development, but the Government has not yet clearly indicated what that reaction will be. The Government's own announcements to date suggest that a straighter path for data centres through the regulatory approval process would be coupled with requirements that they fund the transmission upgrades that they require, but no detailed approach has yet been announced.

From a proponent's perspective, Bill 8 introduces both opportunity and uncertainty. While it may create flexibility for innovative connection and power supply structures, it also means that data centre projects may be subject to tailored regulatory conditions that differ from those applied to other large industrial loads. For more about the Canada-Alberta MOU and Bill 8 see BLG's December 2025 article.

AI Data Centre Computer Hardware Levy

The *Financial Statutes Amendment Act, 2025 (No. 2)* introduced a 2 per cent levy on computer hardware that applies to grid-connected data centres drawing 75 MW or more. The levy comes into effect Dec. 31, 2026, and the levy will be fully creditable against Alberta corporate income tax. Once a data centre becomes profitable and pays corporate tax, the levy will have no net effect on their tax burden. Alberta has signalled that it may develop other programs for payment-in-lieu-of tax and deferral mechanisms to ease early-stage capital pressures, aiming to strike a balance between capturing public revenue while maintaining Alberta's appeal as a data centre destination.

The levy contains further incentives for data centre proponents to "bring their own power": it is reduced to 1 per cent for data centres that are connected to the grid but generate their own power, and off-grid data centres pay no levy at all. For more information about Alberta's AI data centre levy see BLG's September 2025 article.

How these features fit into the typical utility connection process

To reduce regulatory friction, Alberta has established a dedicated data centre "concierge" function intended to coordinate approvals across provincial ministries, regulators, municipalities, and Indigenous communities. While this does not replace formal utility or land-use approvals, it is designed to reduce sequencing risks and avoid delays where electricity connection, generation approvals, and development permits are interdependent.

Unique AESO connection process requirements for Data Centres

The AESO has released data centre–specific connection process requirements that ask applicants to disclose proposed technical and operational characteristics, including load composition, backup generation, and expected operating behaviour. While this

disclosure is not currently mandatory, it reflects an emerging framework that the AESO has indicated will be further developed over time.

AESO's Large Load Integration program - Phases I and II

Phase I of the AESO's Large Load Integration program concluded in late 2025, successfully allocating the full 1,200 MW interim connection capacity to two connection projects. During Phase I, the AESO incorporated a degree of flexibility in response to proponent feedback, including the establishment of a trading window that permitted the exchange of MW allocations prior to final assignment.

All remaining large load requests will be considered in Phase II of the Large Load Integration program. Phase II is also intended to inform the development of a long-term framework applicable to all large loads, including data centres, with a particular focus on the "bring your own generation" model and the regulatory connection process. Integration considerations will span the AESO's full mandate, including connection processes, system planning, operations, markets, tariff design, and reliability.

Protecting grid reliability and ratepayers

A consistent theme across Alberta's and the AESO's policy statements is the protection of grid reliability and electricity affordability for existing consumers. Alberta has been clear that data centre projects must bear the costs associated with their system impacts and should not shift those costs onto ratepayers. This principle underlies Alberta's willingness to impose differentiated connection requirements or financial mechanisms for grid-connected data centres, reinforcing political and regulatory support for accelerated development while striving to maintain public confidence in the electricity system.

Impact of Alberta's Restructured Energy Market

The Restructured Energy Market (REM) – a comprehensive overhaul of Alberta's power market intended to stabilize prices and enhance reliability – is slated to launch in 2027. The policy and design work are complete, but steps remain to operationalize the new structure and finalize tariffs and rate classes. These changes will directly impact project economics for grid-connected data centres and could reshape how data centres and other large industrial customers buy, generate, or sell electricity.

By

Jordan Hulecki

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749