11 June 2025

Mr John Bradley
Secretary
Department of Energy, Environment and Climate Action (DEECA)
Via Engage Victoria

Dear Mr Bradley

Payment in Lieu of Rates (PILOR) scheme for Energy Storage Systems

The Northern Grampians Shire Council (NGSC) appreciates the opportunity to make this submission in response to the *Payment in Lieu of Rates (PILOR) scheme for Energy Storage Systems Discussion Paper*. We also request an extension of time for making submissions, as not all affected councils are aware of this consultation on what is an important issue. NGSC is directly affected by the issues raised in the consultation paper, and requests additional notification to impacts Councils, noting many Councils do not appear to be aware of the consultation.

The energy transition, including energy storage projects, is very significant for NGSC as it is having direct impacts on land use, agriculture and local communities in the region. The Victorian Transmission Plan (VTP) proposes a Grampians Wimmera Renewable Energy Zone (REZ) which is mostly located in the Northern Grampians Shire. As a potential host region for major proposed transmission projects including VNI West and Western Renewables Link, NGSC is strongly invested in ensuring the energy transition provides benefits to our community.

The community of NGSC is currently facing a range of stressors including drought, cost of living, the introduction of the Emergency Services Levy and impacts of the 2024-2025 Summer bushfires. There is significant community uncertainty about and opposition to the renewable energy transition that is causing community angst on top of these other compounding issues. In recognition of its community's concerns, on Monday 2 June the NGSC passed a motion opposing VNI West in its current form and advocating to the State Government for an alternative to VNI West.

The NGSC has a strong interest in ensuring that its community benefits from adequate rates paid by renewable energy projects in the Shire. Once constructed, battery energy storage projects may not create significant local employment. The payment of adequate rates for battery energy storage systems is the key mechanism whereby these projects may contribute to the costs of providing council services to citizens and businesses.

The PILOR discussion paper states on page 5:

> Stakeholders have advised DEECA that the current methodology – which was designed with energy generators in mind – may disadvantage the owners of storage technologies and deter investment.

The paper presents no evidence to support the assertion that the current PILOR methodology may disadvantage the owners of storage technologies and deter investment as there is no evidence that it is being deterred; indeed, there is good evidence that energy storage investment in Victoria is very strong. The Clean Energy Council's *Quarterly investment report: Large-scale renewable generation and storage Q1 2025* states (page 4):

> The first quarter of 2025 saw the remarkable run of investment commitments to energy storage projects continue…

The report goes on to describe Q1 2025 as "the best annual start for new storage projects on record" and identifies the largest energy storage project in the country as the Wooreen battery in Victoria. Accordingly, the PILOR discussion paper appears to be based on an incorrect premise.

Further, battery projects are the only energy transition projects that are currently decreasing in price due to the reducing cost of battery cells. This is illustrated by the CSIRO's *GenCost 2024-25: Consultation draft* which states (page xi):

> Large-scale battery costs improved the most in 2024-25 falling by 20% in 2024-25.

The PILOR discussion paper (page 8) refers to "significant benefits to the state and to local communities" from energy storage projects. The role of batteries in the National Energy Market (NEM) are apparent to all energy users, but the benefits to local communities are not at all guaranteed. The benefits accrue in proportion to energy use; the Shire's small, rural population is not a significant energy user, and benefits to the Shire's community depend in large part on rates paid.

The PILOR discussion paper refers to "unique characteristics of energy storage projects" (page 8) and states:

> For example, a 100MW wind farm might have a land footprint of 2,000 hectares, while a 100MW battery might take up just one or two hectares.

This description of the land footprint of a wind farm contradicts the VTP which attributes to wind farms only the land taken up with turbines and roads to service them. The Victorian State Government is making contradictory arguments in two papers that are out for consultation at the same time: this sort of inconsistency is unacceptable and will breed cynicism in local communities towards the State and its agencies that are working on the energy transition.

The basis of the paper is that an alternative negotiation and arbitration method to the current PILOR method should be prescribed for energy storage systems. As energy storage systems are an intensive, industrial use of land, NGSC submits that the correct way to determine rates for these developments is the same as for industrial land: that is, the rate should be the industrial rate for the capital improved value of the land. This would provide certainty for council and developers and be consistent with rates for other industrial uses. Alternative methods suggested in the paper, such as using land footprint, and varying rates in proportion to capacity factors, would undermine the objective of providing shared benefits with the communities that must host energy storage projects.

Thank you for the opportunity to make this submission in response to the PILOR discussion paper. If you wish to discuss any matter raised in this submission, please contact [redacted] or [redacted].

Yours faithfully

Brent McAlister
Chief Executive Officer