

ALL CORRESPONDENCE TO:

367 Broadway,
PO BOX 1
Wycheproof VIC 3527

ALL ENQUIRIES:

Ph: (03) 5478 0100
Email: buloke@buloke.vic.gov.au



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

Dear Mr Bradley

**PAYMENT IN LIEU OF RATES (PIJOR) SCHEME FOR
ENERGY STORAGE SYSTEMS**

Thank you for the opportunity to make this submission to DEECA on the *Payment in Lieu of Rates (PIJOR) scheme for Energy Storage Systems Discussion Paper* (Discussion Paper). Buloke Shire Council welcomes the opportunity to engage with DEECA on this, and other important issues related to the energy transition.

Context

Buloke Shire, in the Northwest of the State, is 8,000 km² and has a population of around 6,000. Our Shire is large, sparsely populated, and relatively isolated. The Shire is dominated by its agriculture industry. Farmers in the Shire grow \$500 million worth of grain annually, and we are one of Australia's top two grain producing regions.

Agriculture shapes both the local economy and the physical landscape. For its settled history, agriculture has been the dominant industry in the Shire. The introduction of large-scale energy infrastructure represents a profound shift for our Shire and an unprecedented level of change for our entire community. It will change the rural amenity that our residents value so highly, and there is grave concern about how the development and operation of transmission lines, renewable energy facilities, and batteries will disrupt our agricultural businesses and lifestyle.

Community Benefits from the Energy Transition

The Victorian Government talks a lot about the opportunities the energy transition will provide to local and regional communities. The Council strongly agrees with this aim but cannot see how these benefits will be realised. Renewable energy facilities do not pay adequate rates; instead, they are subject to the Payment in Lieu of Rates (PIJOR) scheme. The community benefit funds established and controlled by project developers are often small in value and they do not fund strategic projects or essential local services that would make a real difference to the Shire.

While the State Government promotes the importance of shared benefits, this goal is undermined by PIJOR. Under PIJOR, energy facilities pay much lower rates than they would if they were treated like other commercial and industrial facilities.

The Council cannot identify any rationale for this discrepancy. Why should a local grain handler pay rates on the capital improved value of their land, when a renewable energy or battery project developer pays much less? There may have been some basis for lower rates

when the State was trying to get renewable energy projects off the ground, but there is no longer any such need.

The second reading speech for the legislation that introduced PILOR claimed that it would be “fair to councils and generators”. Providing energy facilities with a deep discount on their council rates is not fair to councils. Buloke Council submits that the State can demonstrate its commitment to shared benefits for local communities by ending PILOR and returning to the ordinary rates scheme for energy facilities, with appropriate modification to the rates cap. If the State were to do this, it would provide evidence of its genuine commitment to sharing the benefits of the transition.

The payment of proper rates for battery energy storage systems and other energy facilities is the key mechanism whereby these projects can provide local benefits by contributing to the costs of providing council services to citizens and businesses.

Battery Energy Storage Systems are Industrial Facilities

Since battery energy storage systems are an intensive, industrial use of land, Buloke Council submits that the correct way to determine rates for these facilities 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.

For Councils and their communities, the most significant disruption from battery projects is likely to occur in the construction phase. Given this, Buloke submits that rates should be paid for batteries from the commencement of construction.

The alternative methods suggested in the Discussion 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. They would also add unnecessary complexity and inconsistency to the rating system and could open debate about differential rates for all sorts of different industries.

While agriculture may occur around wind towers and solar farms, battery projects take up the land they occupy fully and exclude agriculture from that land. Battery developments are an intensive industrial activity in our rural landscape.

The 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 Draft 2025 Victorian Transmission Plan which attributes to wind farms only the land taken up by turbines and roads to service them. This contradiction undermines our community’s faith in the State’s sincerity when it makes contradictory but self-serving arguments in support of its policies. We expect better of the State and seek genuine engagement with you to address our community’s concerns.

The Role and Importance of Rates

The introduction of rate capping under the Victorian Government’s Fair Go Rates System (FGRS) has brought a renewed focus to Council’s long-term financial sustainability. Rate Capping under the FGRS continues to restrict Council’s ability to raise ‘rate revenue’ to maintain service delivery levels and invest in necessary community infrastructure. It is not possible for Council to raise rate revenue above the rate cap unless it applies to the Essential Services Commission for a variation.

Buloke Council is of the view that generators should be rated, along with all other ratepayers, under the *Local Government Act 1989*. This is the only mechanism by which

equity can be ensured for all ratepayers. Rates are a property tax on the local community to help fund local infrastructure and services and subsequently a ratepayer will not necessarily receive services to the extent of the rates (tax) paid. Benefits are consumed in different quantities and types over the lifecycle of the ratepayer.

Any framework that is applied must provide certainty and predictability for revenue generation that can be justified and tested as an equitable and fair contribution to Council's services to the whole community.

The ability to undertake supplementary assessments of value over time must also form a part of the rating system to ensure that changes in infrastructure or storage capacity can provide for adjusted revenue in a fair and equitable manner. Local ratepayers should not subsidise the commercial investment decisions of energy project owners to their own detriment.

Discussion Paper's Claims About Batteries

The Discussion Paper claims, 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 Discussion 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. There is, in fact, 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.

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 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 Discussion Paper suggests that a further reduction in PILOR would attract battery investment:

The PILOR framework could be a useful mechanism for attracting these assets that are critical for Victoria's energy system and deliver affordable and reliable energy to consumers.

The suggestion that the level of council rates has any bearing on battery investment decision making in Victoria is unsubstantiated.

The 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 of batteries accrue in proportion to energy use; Buloke

Shire's small population is not a significant energy user, and benefits to its community depend in large part on rates paid.

Furthermore, the surge workforce required to build batteries increases demand for local housing and services, putting pressure on residents and local businesses. Once a battery is constructed, it may provide little local employment and economic activity. Applying standard council rates to battery and other energy projects provides a simple and genuine way to share the benefits of these projects with regional Victorian communities.

Example: Wilkur Energy Park

The proposed [Wilkur Energy Park](#) is being developed by WestWind in the Buloke Shire. The project's website describes it as a 698 MW project. Using a conservative cost estimate of \$3,000,000 per MW installed (source: CSIRO GenCost 2024-25 Consultation Draft, page 28), the capital cost of the project would be around \$2.1 billion. The table below shows the potential annual local benefits from ordinary rates, PILOR, and the proposed community benefit fund.

Industrial Rates (2024-25)	PILOR (2024-25)	Community Benefit Fund
\$12,152,569	\$1,098,000	\$194,000 (Minimum, website)

This comparison demonstrates the need for an overhaul of the rates paid by energy facilities. The current PILOR rate provides a small fraction of the standard rate, and the proposed community benefit fund is small by comparison to the real benefits that Buloke Council would receive from properly rating the facility.

Thank you for the opportunity to make this submission in response to the Discussion Paper. Buloke Council would welcome the opportunity for further engagement with DEECA on this issue and other energy transition matters, and we request the opportunity to meet with you to discuss this important matter for our community.

Yours faithfully



Wayne O'Toole

Chief Executive Officer

Buloke Shire Council