

Submission: Payment in Lieu of Rates (PiLoR) scheme for Energy Storage Systems

June 2025

As the peak body for Australia's clean energy industry, representing around 1,000 member organisations, the Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the payment in lieu of rates scheme for energy storage systems.

CEC recognises that councils are essential partners in the energy transition and supports reforms that improve transparency and advance stronger partnerships between councils and industry. Further, the clean energy industry is committed to paying our fair share of rates and levies which enable projects to operate and protects them from natural disasters.

Victoria has legislated energy storage targets of (1) at least 2.6 GW of energy storage capacity by 2030 (2) at least 6.3 GW by 2035. The Victorian Government is investing directly into energy storage through the 600 MW / 1600 MWh Melbourne Renewable Energy Hub, being delivered in partnership between the government owned renewable energy company SEC Victoria and private developer Equis.

Victoria has historically been viewed as an attractive destination for battery energy storage system (BESS) investment, with 580 MW of operating projects and a further 2050 MW under construction, 3768 MW approved but not yet under construction and 2496 MW under development with lodged planning permits¹. The largest battery reaching financial commitment in the first quarter for 2025 was the 350 MW / 1,400 MWh Wooreen Battery Energy Storage System² located in the Gippsland region.

CEC and our members are excited to see energy storage assets brought into the Payment in Lieu of Rates (PiLoR) scheme. The passage of the *State Taxation Acts and Other Acts Amendment Act 2023* altered how capital improved value (CIV) is defined in Victoria. The value of renewable energy infrastructure (turbines, sub stations, solar panels, BESS assets) is now included in the calculation of CIV, regardless of whether these assets are on land that is leased or owned. During negotiations on this bill CEC raised with the Victorian Government that energy storage assets did not have access to the PiLoR scheme and that changes to CIV would dramatically increase council rates for these assets, possibly make

¹ [RenewablesSummary Renewable Energy Projects Victoria](#)

² [cec_renewable-projects-quarterly-report_q1-2025.pdf](#)

existing projects uneconomic and chill investment in future projects. Council rates based on CIV for energy storage projects could be in the millions of dollars per annum, which would render projects unviable. While *Section 94* of the *Electricity Industry Act 2000*, does allow developers, if they hold a generation licence or if they are exempt from the requirement to hold a licence under the *Electricity Industry Act 2000*, to negotiate with local councils on rates, CEC has heard that councils are reluctant to do so. CEC notes that *Section 94 (5)(b)* of the *Electricity Industry Act 2000* does provide a mechanism for the Victorian Local Government Grants Commission to step in as an arbitrator between a developer and council. However, CEC understands that developers have been reluctant to pursue arbitration because the view of the Victorian Government was that energy storage assets did not have access the PiLoR scheme so there was no legal requirement for councils to reduce rates that were calculated on full CIV.

Energy Storage & PiLoR Rate

Feedback from CEC members suggests that the PiLoR rate for energy storage should consider a range of factors:

1. The energy storage methodology should be based on per MW and not per MWh, so that the methodology is linked to project economics, reflects government policy objectives, is future proofed as energy density increases³ and doesn't discourage investment in longer term storage.
2. The construction and operation of energy storage is low impact and requires fewer council services when compared to solar, wind farms or fuel-based generation.
3. Based on approximate calculations a wind farm will generally occupy 80 hectares per MW, a solar farm will generally occupy 2 hectares per MW and a BESS project will occupy just 0.01 hectares per MW⁴. Therefore, a BESS project of the same MW capacity will occupy 1/8000th of the land (0.000125 as a decimal) of a wind farm and 1/40th of the land (0.025 as a decimal) a solar farm would occupy.
4. BESS assets operate on tight margins (for a variety of reasons including capacity factors and competitive offtake markets) and financial investment decisions for committed projects were based on council rates calculated using unimproved value. Drastic changes to OPEX costs resulting from changes in how rates are calculated will influence financial viability of existing and future projects.

³ [Advancing energy storage: The future trajectory of lithium-ion battery technologies - ScienceDirect](#)

⁴ Calculated using Rangebank BESS. 200MW on just below 2 hectares. [Rangebank BESS - Home](#)

5. Victoria is the only jurisdiction to use Improved Value to calculate council rates and not have exclusions for energy infrastructure (see appendix for breakdown). This disparity across jurisdictions could impact the attractiveness of Victoria as a place for Australian and global investors. This disparity could also impact Capacity Investment Scheme tenders as projects in other states will be able to bid at lower costs and therefore be more competitive.
6. CEC has heard that asset operators would need to pass on these costs, which could drive up wholesale prices and increase energy bills for households, farmers and businesses.

Calculating a PiLoR framework for BESS

CEC and our members support a PiLoR methodology that is calculated on \$/ MW as it's straightforward while also being customised to each project and based on project economics.

CEC and our members are of the view that, having regard to the above considerations, a reasonable PiLoR payment for BESS assets would be approximately 5 times the 2023-2024 rate which was calculated on unimproved value. A 5x increase achieves the appropriate balance for local councils, communities, storage developers and energy consumers.

CEC suggests the following methodology

Standalone energy storage

\$10,000 + \$150 per MW

\$/HA Methodology

CEC and our members do not support a PiLoR methodology based on \$/HA as it may disadvantage specific technologies and the economics of projects are not linked to land size. For example, compressed air energy storage projects generally have a larger project footprint relative to energy-dense Li-Ion chemistry batteries but also have the benefit of delivering long duration storage. Basing the methodology on footprint could also potentially disadvantage projects that leased land with enough room to accommodate increased capacity in the future, while a \$/MW methodology, would provide this flexibility. There may also be issues with how the boundary of a project footprint is defined, i.e. is it the size of the whole parcel of land that is leased or the size within the security fencing? Could a developer sub-divide the land to make PiLoR more attractive? A \$/HA methodology

could provide an incentive for developers to reduce project footprint (and therefore council rates) at the expense of environmental protection and/or smaller buffer to neighbours.

Defining Energy Storage Systems for PiLoR

Defining energy storage systems for PiLoR is a difficult task as energy storage is a diverse and evolving technology space. While Li-ion chemistry batteries are the most common there are also iron air, flow state, compressed air, pumped hydro and Energy Dome's CO2 Battery⁵, along with other technologies to consider. Further, energy storage systems are connected to both the transmission and distribution networks. The size and capacity of batteries is also diverse, ranging from large utility level to neighbourhood batteries, including those supported by the Victorian State Government Neighbourhood Battery scheme⁶.

Perhaps the most convenient way and to allow future flexibility across technology types, is to align the definition of energy storage with *Section 94* of the *Electricity Industry Act 2000*, that allows energy storage developers, if they hold a generation licence or if they are exempt from the requirement to hold a licence under the *Electricity Industry Act 2000*, to negotiate with local councils. So any energy storage, regardless of MW capacity or technology type, that holds a generation licence or if they are exempt from the requirement to hold a licence under the *Electricity Industry Act 2000*, is eligible for the PiLoR scheme and possibly to the storage methodology.

The PiLoR storage methodology should be available to stand alone storage projects. For hybrid projects, where a storage asset is combined with generation from wind, solar or hydro, the generation methodologies should apply.

Thank you for the opportunity to provide this submission. For any further questions please contact Nathan Hart – Director Advocacy and Community Engagement – nhart@cleanenergycouncil.org.au

⁵ [World-Leading Energy Tech Company Coming To Victoria | Premier](#)

⁶ <https://www.energy.vic.gov.au/grants/neighbourhood-batteries>

Appendix: Council Rates for Clean Energy Projects Across the Country

CEC has compared how jurisdictions across the country calculate council rates. The findings are below. Ultimately, Victoria is the only jurisdiction to use Capital Improved Value and not have exclusions for energy infrastructure.

How states calculate rates for clean energy				
State	Unimproved Value	Improved Value	Some CIV exclusions for energy infrastructure	No consistent established method
Victoria		✓	✗	
NSW	✓			
QLD	✓			✓
SA		✓	✓	
WA				✓
Tasmania		? ✓	✓ (on leased land)	

Victoria

Until 2025, Victoria had used unimproved value to calculate rates for batteries. Using publicly available information (land value and rate in the dollar amount for City of Greater Geelong), it could be estimated that the 300 MW Victorian Big Battery (VBB) has paid \$10,000 in council rates annually. Using the suggested CEC rate for standalone energy storage contained in this submission (\$10,000 + \$150 per MW) the calculation for council rates would be;

$$\$10,000 + (300 \times \$150) \$45,000 = \$55,000$$

This represents slightly more than a 5x increase on council rates based on unimproved value.

Queensland

Queensland uses unimproved value to calculate council rates for rural land. Council's then set a rate in the dollar amount for categories, such as 'energy generation', and there could be different tiers of rates depending on technology type or MW capacity. Developers in Queensland have reported challenges in unpredictable and unexpectedly high rates applied by local councils. In Queensland developers also can't enter long term contracts, as a result they generally negotiate year on year with individual councils. There is a push to standardise how rates are calculated in QLD. Despite the variation, figures seen by the CEC indicate rates in Queensland are significantly lower than the current PiLoR rate in Victoria.

New South Wales

New South Wales uses unimproved value for establishing payable council rates.

For example, a 150 MW BESS that is combined with a 333 MW Solar Farm, together have an unimproved value of \$960,000 and would be paying a total of \$10,000 to the local council annually. CEC acknowledges that projects in NSW also enter into Voluntary Planning Agreements with councils and this results in councils receiving funds beyond council rates.

South Australia

South Australia uses Capital Value (equivalent to improved value) to set council rates. However, there are some exclusions that involve plant and equipment and certain infrastructure used in the provision of electricity. Therefore, renewable energy infrastructure does not impact capital value calculations, and therefore, does not impact council rates. Further, in South Australia, landholders would pay the same amount for council rates regardless of whether they are hosting a project. As a result, developers may not pay council rates at all, depending how the commercial contract is structured.

Western Australia

Western Australia does not currently have an established method for council rates and BESS assets. An individual council has advised they would look to apply existing methodology and after a few test cases may review it up or down based on the resulting valuations. With the information provided, they would look to treat the BESS facility as an “industrial building” and apply a rate of \$150/m² to the footprint of all buildings, battery containers and structures. They would not include the roads, laydown and open spaces in the switchyard as part of the m² used.

Tasmania

Tasmania uses Improved Value to calculate council rates. However, if the land is leased, and part of the commercial agreement involves the removal of infrastructure (which is generally a prescriptive requirement), the value of the infrastructure is excluded from CIV calculations.