

14 July 2025

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

Cc Chris Miller
Chief Executive Officer
State Electricity Commission (SEC)

Dear Mr Bradley

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

The Horsham Regional City Council (HRCC) welcomes the opportunity to make this submission on the *Payment in Lieu of Rates (PILOR) scheme for Energy Storage Systems Discussion Paper*.

As a host to current and future renewable energy projects, including the State Electricity Commission's (SEC) Horsham Energy Park, HRCC is determined to ensure the energy transition provides real benefits to our community. HRCC is directly affected by the issues raised in the consultation paper, and we are taking this opportunity to request a wholesale review of the PILOR Scheme for energy facilities.

Sharing the Benefits of the Renewable Energy Transition

The Victorian Government consistently talks about the opportunities for the energy transition to provide local and regional community benefits. HRCC strongly agrees with this aim, but it is unclear how these benefits will be achieved. While the State Government promotes the importance of shared benefits, this goal is undermined by the Payment in Lieu of Rates (PILOR) scheme. Under this scheme, energy facilities pay much lower rates than they would if they were treated like other commercial and industrial facilities.

HRCC is unaware of any rationale for the different rating treatment of energy facilities. Why should a local business pay rates on the capital improved value of its land, when an energy project developer pays much less? There may have been a basis for lower rates when the renewable energy industry was in its infancy to support its growth, but there is no longer any such need. The renewable energy industry is growing rapidly to replace traditional sources of energy, and there is no basis for it to receive a rates subsidy.

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. HRCC 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 is the key mechanism whereby these projects can provide local benefits by contributing to the costs of providing council services to citizens and businesses.

Discussion Paper's Assertions about Batteries

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.

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 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 of batteries accrue in proportion to energy use; HRCC'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.

Battery Energy Storage Systems are Industrial Facilities

Since battery energy storage systems are an intensive, industrial use of land, HRCC 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.

The 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. They would also add unnecessary complexity and inconsistency to the rating system and could open debate about differential rates for all manner of different industries.

SEC's Horsham Energy Park as an Example

The SEC is developing the Horsham Energy Park at a cost of \$370 million. The project includes a 119 MW solar farm and a 100 MW, 200 MWh battery. The table below compares three potential, annual, local benefits from the project from industrial rates, the current PILOR scheme, and the proposed community benefit fund.

| Industrial Rates | Current PILOR | Community Benefit Fund |
|------------------|---------------|------------------------|
| \$1,417,470 | \$389,849 | \$70,000 |

This comparison illustrates the need for an overhaul of the rates paid by energy facilities. The current PILOR rate provides less than one quarter of the standard rate, and the proposed community benefit fund is paltry by comparison to the real benefits that HRCC would receive from properly rating the facility. Separate to this submission, HRCC will engage with the SEC to seek the payment of acceptable rates for the project.

Thank you for the opportunity to make this submission in response to the PILOR discussion paper. HRCC would welcome the opportunity for genuine engagement with DEECA on this issue, and we request the opportunity to meet with you to discuss this important matter for our community.

Should you wish to arrange a meeting or require further information I can be contacted via email on gail.gatt@hrcc.vic.gov.au or via mobile on 0458 833 173.

Yours faithfully



Gail Gatt
Chief Executive Officer
HRCC Rural City Council