



31 January 2020

Local Government Rating System Review Ministerial Panel  
C/o Department of Environment, Land, Water and Planning  
Level 35, 2 Lonsdale St  
Melbourne VIC 3000  
Electronic delivery: [rating.review@delwp.vic.gov.au](mailto:rating.review@delwp.vic.gov.au)

Dear Ministerial Panel,

### **Payment in lieu of rates system for electricity generation assets**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with over 800 of the leading businesses operating in renewable energy and energy storage. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

It has come to our attention that in submissions made to the Panel in the course of your review of the local government rating system, a number of councils have advanced the proposition that the Payment in Lieu of Rates (PiLoR scheme) should be scrapped and replaced with the standard application of business rates across all electricity generation assets in Victoria.

The CEC cautions any changes that could be damaging to the confidence of investors in new essential service infrastructure in Victoria and push up the costs of electricity for households and businesses.

While the PiLoR scheme is not perfect, it has been in place for many years and has been factored into the operational expenditure forecasting of tens of wind, solar and hydro plants across Victoria. Changing the rules for projects which have already undertaken their financial and commercial modelling and made their financial investment decisions will further erode investment confidence at a precarious time for the renewable energy sector.

Already, a number of electricity generation assets across the state are under financial stress, as a result of the Australian Energy Market Operator placing output constraints on generators due to system strength concerns. For instance, the output of four solar farms in western Victoria has been curtailed by 50 per cent – a situation which has been ongoing for several months. Many other projects which are ready to begin generation have been advised that their grid connection and commissioning will be delayed. This recent [news article](#) provides further detail about this issue. In addition, the CEC has today [released new data](#) showing that new clean energy project commitments dropped away by approximately half in 2019 due to a number of factors.

It is worth briefly noting that a number of local governments appear to have made the assumption that moving to the application of standard business rates would result in large increases in revenue for them from the current renewable energy investment. This assumption is based on perceptions that the capital improved value is synonymous with the total project cost, which may or may not be

correct. Four cases are currently before the Victorian Civil and Administrative Tribunal (VCAT) which we expect will provide greater clarity on the accurate interpretation of capital improved value for renewable energy projects.

These legal considerations aside, we urge the Victorian Government to exercise caution in supporting changes that would add further operating costs, or create further uncertainty, to the clean energy projects that it is working hard to attract. With tight supply conditions and a dramatic slowdown in new project commitments, we need to be working to remove barriers to investment, rather than increasing them, in order to keep electricity prices down and ensure that the jobs and regional investment continues to flow into Victoria.

We thank you for your consideration of our submission and would welcome the opportunity to discuss this further with you should you. You can contact me on 0417 033 752 or at [afreeman@cleanenergycouncil.org.au](mailto:afreeman@cleanenergycouncil.org.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Freeman', written in a cursive style.

Anna Freeman  
Director Energy Generation

cc. Minister for Local Government, the Hon. Adem Somyurek MLC  
Minister for Energy, Environment and Climate Change, the Hon. Lily D'Ambrosio MP