

Compensation and landholder payments

March 2024

Victoria's energy system is changing. We urgently need to change our power grid to carry energy from new renewable sources and batteries across the state to Victorian homes, businesses, hospitals, schools and other vital services.

To connect new renewable energy sources we need to build new transmission powerlines and new transmission easements need to be created. Host landholders will play a crucial role in Victoria's transition to renewable energy and they are entitled to full compensation as well as new annual payments introduced by the Victorian Government.



Compensation

Landholders hosting new transmission are entitled to compensation for impacts.

The compensation amounts are set through negotiation with the electricity corporation. To assist with this process, landholders can also appoint their own certified valuer, the costs of which will be covered by the electricity corporation.

Compensation is set in line with the principles of the Victorian Land Acquisition and Compensation Act 1986 (known as the LACA).

The LACA is designed to fully compensate landholders for the establishment of easements on their land, including the impact on farming and business operations.

Recent compensation agreements between electricity corporations and landholders in Victoria have been for significant amounts, depending on the size of the property and the nature of the impacts.

Landholder payments

In addition to this compensation, the Victorian Government has also introduced new payments for a typical area of new transmission easement of \$200,000 per kilometre of transmission hosted, paid in annual instalments over 25 years indexed to inflation. Compensation is the same for all transmission types.

The first payment will be made shortly after the completion of construction. Subsequent payments will be from the anniversary of this date, for a further 24 years. Indexing will happen each year, prior to the payment being made.

These new payments were announced by the Victorian Government in 2023 in recognition of the important role host landholders are playing in Victoria's transition to renewable energy. They are an opportunity for these landholders to benefit financially from hosting transmission.

Hosted transmission infrastructure under 1 km also qualify for payments, at a pro rata amount.

The compensation and landholder payment process



*Timing of instalment payments may vary depending on detail of the compensation agreement.

How is compensation assessed under the Land Acquisition and Compensation Act 1986 (LACA)?

The LACA describes how compensation is calculated, and considers a range of factors, including:

The market value of the acquired easement

An independent, qualified property valuer determines the market value of the easement area, being the difference between the market value before and after the acquisition.

Disturbance

For example, if an easement restricts a farming activity in some way, which reduces income for the landholder, then compensation needs to cover the loss of income.

Any reasonable costs associated with the landholder seeking legal and professional advice in relation to the acquired easement

For example, a landholder is entitled to be reimbursed for reasonable legal and other professional expenses as a result of the easement purchase.

Some non-financial losses in relation to the acquired easement

Compensation may also be payable in some circumstances for other potential disadvantages resulting from the easement purchase.



What is an easement and how do transmission easements work?

An easement is a legal right for a party to occupy and use a portion of land for a specific purpose. Easements may restrict other activities and uses of the land they cover. Such easements, and the rights associated with them, are registered on the Certificate of Title for the relevant land.

Transmission easements are used by electricity corporations to build, maintain, and operate transmission infrastructure. The dimensions of an easement will vary according to the size, design and location of the electricity infrastructure.

An electricity corporation is defined under the Electricity Industry Act 1990 (EI Act) as a distribution company, a transmission company or a generation company.

The rights an electricity corporation has over an easement may in some cases limit the landholder's ordinary use of their land. For example, an easement may limit certain farming activities, although many farming activities can continue within a transmission easement. Where there are impacts, farmers can be entitled to compensation under the LACA, as set out above.



How do electricity corporations obtain easements over land?

Electricity corporations may acquire an easement on private land to build, maintain, and operate transmission infrastructure with the agreement of the landholder. Where agreement cannot be reached, it is possible for an electricity corporation to compulsorily acquire an easement in exceptional circumstances.

While the power of compulsory acquisition does exist, VicGrid's position is that companies should always seek to reach agreement through effective engagement, planning, and negotiation with landholders.

For compulsory acquisition, an electricity corporation needs approval from the Governor-in-Council. In practice, the responsible minister would recommend to the Governor-in-Council to approve these powers.

The rights of an electricity corporation for easements are limited to:

- a) erecting and/or laying overhead powerlines or underground cables (or both)
- b) maintaining those powerlines or cables.

When an electricity corporation acquires an easement, landholders will be compensated in accordance with the LACA. As mentioned above, landholders will also receive additional new payments which are over and above compensation amounts payable through the LACA.

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Managing impacts on neighbouring landholders

VicGrid recognises that neighbouring landholders to those hosting the infrastructure sometimes also feel its impacts. VicGrid is considering this issue further and is developing guidance to set clear expectations for managing impacts on neighbouring landholders that are significantly impacted by nearby transmission projects.

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