

OFFICIAL



## Valuer-General's Policy

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VGP 08/2022

Valuation of  
Wind farms and Solar farms

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Approved: 26 August 2022

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## Valuation of Wind farms and Solar farms

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**Note:** Words and acronyms that are in *italics* in this Policy, that are not part of a ‘quote’ or legislative reference, have a meaning as outlined in the Valuer-General’s Guideline VGG 05/2022 - *Glossary of Terms and Definitions*

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## PURPOSE

This policy has been prepared at the request of the *service provider* to ensure all *land* with improvements associated with *wind farms* and *solar farms*, as outlined in the scope below, are valued accurately and consistently to fulfil the requirements of the *Valuation of Land Act 1971* (VL Act).

This policy directs valuers on the methods to use, and factors to consider, when valuing *land* comprising such improvements for rating and taxing purposes as at the *date of valuation*. It also addresses:

- *Land Use Code(s)*.
- Assessment Configuration, including Occupancies.
- Treatment of *Value*.

## SCOPE

This policy addresses all *land* with improvements associated with *wind farms* or *solar farms* generating electricity for **commercial purposes only** (as opposed to electricity being generated for self-sustaining consumption by activities being undertaken on the *land*, such as solar panels in shopping centre car parks or solar panels on residential rooftops – refer Appendix A for further information on the land use codes(s), assessment configuration and treatment of value for these and other out of scope properties).

A *wind farm* (also referred to as a wind park, wind power station or wind power plant) is *land* on which wind turbines have been built for the purpose of producing electricity by harvesting wind energy. *Wind farms* vary in size from a single turbine to a small number of turbines to several hundred wind turbines covering an extensive area. *Wind farms* are usually found in rural locations and the *land* for *wind farms* is often leased rather than owned.

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*Solar farms* (also referred to as solar parks and solar power stations) are solar installations where photovoltaic (PV) panels, referred to as solar panels, absorb energy from the sun, convert it into electricity and send that electricity to the power grid for distribution and consumption by customers (or to a designated purchaser – usually a heavy energy user or electricity retailer). *Solar farms* operate as power plants. Unlike residential and commercial systems, they are decentralised and usually consist of ground-mounted solar panels installed across large areas, generally in the megawatt-scale (as opposed to kilowatt-scale).

**LAND USE CODE(S)**

The purpose of *Land Use Codes (LUC)* is outlined at 3.1.8 of the *Valuation Services Operations Manual*. It is noted here that each *valuation record* and *occupancy valuation* is required to have the predominant *LUC* attributed against it, and where a *LUC* is applied for the first time, a description of the improvements on the property is also required.<sup>1</sup>

Where the *predominant use* of the *land*, comprised within a *valuation record* or *occupancy valuation*, is for commercial electricity generation as part of a *wind farm* or *solar farm* the following *LUCs* apply:

- Electricity generation as part of a *wind farm*
  - *LUC – 6165*
- Electricity generation as part of a *solar farm*
  - *LUC - 6166*

For consistency, the description of improvements of the generating improvements should be as follows:

- *Wind farm* will be referred to as WIND TURB, or WIND TURBS where there is multiple.
- *Solar farm* will be referred to as SOLARFARM.

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<sup>1</sup> Refer to 3.1.8 of the Valuation Services Operations Manual

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Where possible the megawatts should also be recorded in the description e.g., 3MW SOLARFARM or 5MW WIND TURB.

Even where the *predominant use* of the *land* is not associated with the commercial electricity generating activities, the description of the improvements for the *valuation record* or *occupancy valuation* should still refer to these improvements.

## ASSESSMENT CONFIGURATION

Record creation is outlined at 3.7.3.3 of the *Valuation Services Operations Manual*. With reference to this, some common examples relevant to *wind farms* and *solar farms* are provided below.

### **EXAMPLE ONE**

**Where an assessment is developed solely as a *solar farm* by the owner/operator**

No *occupancy valuations* are required. The *land use code* for the assessment should reflect the *predominant use*.

#### ***Example:***

6-hectare site improved with a 3MW *solar farm*. No other use on the site.

In this example the *valuation record* would be configured as follows:

Overall *land use code* and description:      6166 3MW SOLARFARM

**\*\* NOTE:** *Wind farms* are typically found in rural locations. Generally speaking, they will exist with other occupations (e.g., wind turbines owned and operated by the electricity generator and grazing undertaken by the *owner*) and are often spread over more than one parcel of *land*. In majority of instances *occupancy valuations* will be required for *wind farms* (refer to examples 2 and 3).

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Where an assessment has two or more occupations, one of which is either a *wind farm* or *solar farm* operator

*Occupancy valuations* will be required as outlined at 3.7.1 of the *Valuation Services Operations Manual*. *Occupancy valuations* are a sub record attached to a *valuation record*.

When capturing the “Land Use” for the *occupancy valuation* the valuer should capture the *land use code* that relates to that specific occupant, and not necessarily that of the whole property.

The overall *land use code* for the assessment should reflect the *predominant use*.

**Example:**

30-hectare *primary production* site with two occupations:

1. 25 hectares of site used for grazing and improved with a 6 roomed house and a machinery shed used by the *owner*, and
2. Remaining 5 hectares improved with a 5-megawatt *wind farm* being occupied by the electricity generating operator.

In this example the *valuation record* would be configured as follows:

Overall *land use code* and description: 9200 6H MS WINDTURBS

Occupant Id 0010: 9200 6H MS

Occupant Id 0020: 6165 5MW WINDTURBS

**EXAMPLE THREE**

Where a *solar farm* is developed over multiple assessments by the same operator

Refer to 3.7.3.3 and 3.7.3.7 of the *Valuation Services Operations Manual* for direction on record creation and processes.

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Three adjoining parcels of *land*, all currently individually assessed and held contiguously within the same ownership, are improved with a 5MW *solar farm* across all the *land*. In this example the three current *valuation records* will need to be cancelled and a new single *valuation record* created (with reference to the procedures set out in 3.7.3.3 and 3.7.3.7 of the *Valuation Services Operations Manual*).<sup>2</sup>

Once the new record is created the *valuation record* would be configured as follows:

Overall *land use code* and description:      6166 5MW SOLARFARM

**A NOTE ON RURAL RECORD CONFIGURATION**

Multiple rural parcels may be assessed on a single *valuation record* if *contiguous* and the criteria for amalgamation are present. Where rural parcels are separated by a road or railway, it is considered to be *contiguous*, provided it is outside of a water district. Where separate physical occupations exist on rural parcels that are assessed within one *valuation record*, for example a *primary production* use (conducted by the *owner*) and a *wind farm* or *solar farm* (operated by an electricity generating operator), then *occupancy valuations* will need to be created to reflect the separate physical occupations.

**A FURTHER NOTE ON ASSESSMENT CONFIGURATION**

In situations where the *service provider* may be uncertain how to configure assessments in relation to *wind farms* and *solar farms*, they should present their determination to the Office of the Valuer-General (OVG) in writing for confirmation and approval.<sup>3</sup>

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<sup>2</sup> Any request from an external party (e.g., landowner, government authority, service provider) is required to be in writing and must be attached to the 'Valuation Record Request' and to each newly created record resulting from that request. Such requests may be to create, split, or amalgamate current or proposed records. These requests must be approved by the Valuer-General, or delegate.

<sup>3</sup> Refer to Page 12 of Valuer-General's Direction: VGD 06/2022 – OVG Policy – Communications Management Plan

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## ASSUMPTIONS & CONSIDERATIONS

### Common law guidance on leases as encumbrances, including ground leases

Current guidance on the treatment of leases for mass appraisal in South Australia should be drawn from the following case law:

- *Harry v The Valuer-General* (1975) 12 SASR 446, 450.
- *Perpetual Trustee Co Ltd v Valuer General; Trust Co of Australia Ltd v Valuer-General (No 2)* [2007] SASC 340; (2007) 99 SASR 251.
- *Perpetual Trustee Co Ltd v Valuer-General; Trust Co of Australia Ltd v Valuer-General* [2008] SASC 169; (2008) 101 SASR 110
- *Wood v Valuer-General* [2021] SACAT 7

The key points drawn from these judgements for mass appraisal under the VL Act are:

#### Leases as encumbrances

A lease is only an encumbrance where it provides a negative impact to the market value of the *land* (the *estate in fee simple*). Consequently, a lease which adds value to the *land* is not an encumbrance and should be considered when determining an opinion of value.

Where a lease has a negative impact on the *estate in fee simple* of the *land* it must be considered an encumbrance. Section 5(1) of the VL Act instructs that both *site value* and *capital value* should be of the “unencumbered *estate in fee simple*”, therefore encumbrances must be ignored. Consequently, any lease which has a negative impact to value must be ignored under the VL Act.



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Ground leases

Where a ground lease exists to allow the whole or part of the *estate in fee simple* of the *land* to be used exclusively and does not include the use of improvements as described at section 5(1) of the VL Act (and this ground lease is not an encumbrance as outlined above), then the ground lease must be considered in determining the *site value* of the *land*, as well as its positive impact to the *capital value*. Any negative impact to either *site value* or *capital value* through the ground lease must be disregarded and the “unencumbered *estate in fee simple*” must instead be valued.

**SITE VALUE****Site Value - Valuation Assumptions**

In line with the definition of *site value* under s 5(1) of the VL Act, the valuer must assume:

- The *land* is capable of being separately sold.
- The *estate in fee simple* in the *land* to be *valued* is *unencumbered* and the *valuation* is not of the taxpayer’s interest in the *land*.<sup>4</sup>
- The capital amount expected to be realised upon sale is the estimated amount for which the *land* should exchange on the *date of valuation* between a *willing buyer* and a *willing seller* in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- The *willing buyer* and *willing seller* are hypothetical.

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<sup>4</sup> The *estate in fee simple* is the most common freehold estate granted by the Crown. An *estate in fee simple* is the greatest estate in *land* and is for practical purposes the equivalent to absolute ownership. Note, however, that in Australia, no person other than the Crown can ‘own’ *land* absolutely.

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- Improvements on the *land* that are not exhausted are assumed to have not been made. These include buildings and structures, wells, dams, reservoirs, and the planting of trees for commercial purposes.
  - *Wind farms* and *solar farms* that comprise part of a commercial operation are examples of structures and improvements that are assumed not to have been made. However, while the improvements that are not exhausted are hypothetically ignored the occupation and the associated lease (that is not reliant on the improvements existing) are not.
  - Improvements and structures in the nature of *site works* are not hypothetically ignored. These include:
    - reclamation of the *land* by draining or filling, and any retaining walls or other structures or works ancillary to that reclamation.
    - the excavation, grading or levelling of the *land*.
    - the removal of rocks, stone, sand, or soil from the *land*; and
    - the clearing of timber, scrub, or other vegetation.

**Site Value - Valuation Considerations**

The following *site value* valuation considerations as at the *date of valuation* must be reflected in the *valuation*:

- The *highest and best use* of the *land*<sup>5</sup>, which is the use of the *land* that maximises its potential and that is physically possible, legally permissible, and financially feasible.
- Where the improvements are exhausted, the valuer will need to give consideration as to how these improvements may affect the *highest and best use*, based on factors such as where these improvements are located on the *land* and the cost of demolition and site remediation.

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<sup>5</sup> Refer to Valuer-General's Policy: VGP 08/2020 - *Highest and Best Use*

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- The physical condition, location, surroundings and all interests or restrictions imposed by generally applicable legislation on the *estate in fee simple* in the *land*.
- The physical aspects of the *land* must always be considered carefully, as they may have a significant effect on the level of *value*.
- The market rental for the *land* occupied by the electricity generating operator, having regard to the actual generating capacity of the improvements on the *land*.
- Where the *land* is on a State/local heritage list take into account the fact that the *land* is on a heritage list in the *valuation*, including disregarding any potential use of the *land* that is inconsistent with its preservation as a place of State or local heritage significance or *value* (s 22B VL Act).
- Consideration must be given to any site contamination<sup>6</sup> on or in the *land*, even those brought about by the use of the *land* associated with the improvements.

## Site Value - Valuation Method

### EXAMPLE ONE

#### **Where an assessment is developed solely as a *solar farm***

In this example the *land* – utilised as a *solar farm* - is occupied by a lessee who pays a rent (often referred to as a *ground rental*) for the right to occupy the entire *land* but does not utilise any *fixtures* as part of the lease agreement.

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<sup>6</sup> Includes issues such as spray drift - Refer to Valuer-General's Policy: *VGP 11/2020 Valuation of Land Affected by Spray Drift*

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The market rent for the lease must be taken into account in determining the capital amount that an *estate in fee simple* in the *land* might reasonably be expected to realise upon its sale<sup>7</sup> (unless the lease has a depreciatory effect on the market *value* of the *land* as outlined earlier in this policy on page 8).

Therefore, the determination of *site value* is to have regard to the imputed market income. The *valuation* is to be based on the *Capitalisation of Income Approach* and is to have regard to the valuation considerations and assumptions within this Policy.

NOTE – any improvements made to the *land* by the occupier are **not** to be considered in the *site value* **unless** their benefit is exhausted. Where the improvements are exhausted, the valuer will need to give consideration as to how these improvements may affect the *highest and best use*, based on factors such as where these improvements are located on the *land* and the cost of demolition and site remediation.

In utilising the *Capitalisation of Income Approach*:

- The imputed market income is the *ground rental*.
- The imputed market income is to have regard to nameplate output (megawatts).
- The capitalisation rate will reflect:
  - the risk associated with the general market lease arrangements for such an occupation (such as exit clauses).
  - the assumption that the *wind farm* or *solar farm* occupant will seek to remain in occupation for the foreseeable future.

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<sup>7</sup> Woods v Valuer-General SACAT 2019\_SA004073 [103]. Further at [105] it is noted “it is evident that the Leases inform the task of assessing site value. They are not excluded, and they are relevant to the determination of what the land might reasonably be expected to realise upon sale”

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**Where an assessment has two or more occupations, one of which is either a *wind farm* or *solar farm***

The *valuation* of the *land* can be undertaken using a *Piecemeal Approach* (illustrated as  $a + b = c$  below), where:

- a. For that portion of the *land* occupied by a lessee who pays a rent (often referred to as a *ground rental*) for the right to occupy the *land*, but does not utilise any *fixtures* as part of the lease agreement – as is the case with *wind farms* and *solar farms* – the market rent for the lease must be taken into account in determining the capital amount that an *estate in fee simple* in the *land* might reasonably be expected to realise upon its sale<sup>8</sup> (unless the lease has a depreciatory effect on the market *value* of the *land* as outlined earlier in this policy on page 8).

Therefore, the determination of *site value* is to have regard to the imputed market income associated with the occupation. The *valuation* of this portion of *land* is to be based on the *Capitalisation of Income Approach* and is to have regard to the valuation considerations and assumptions within this Policy.

NOTE – any improvements made to the *land* by the occupier are **not** to be considered in the *site value*.

In utilising the *Capitalisation of Income Approach*:

- The imputed market income is the *ground rental*.
- The imputed market income is to have regard to nameplate output (megawatts).
- The capitalisation rate will reflect:
  - the risk associated with the general market lease arrangements for such an occupation (such as exit clauses).

<sup>8</sup> Woods v Valuer-General SACAT 2019\_SA004073 [103]. Further at [105] it is noted “it is evident that the Leases inform the task of assessing site value. They are not excluded, and they are relevant to the determination of what the land might reasonably be expected to realise upon sale”

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- the assumption that the *wind farm* or *solar farm* occupant will seek to remain in occupation for the foreseeable future.
  - b. For that portion of *land* that is **not** occupied by the *wind farm* or *solar farm*, the *valuation* of that portion of *land* is to be based on *Direct Comparison* and must reflect the *highest and best use* of the *land* and have regard to the valuation considerations and assumptions within this Policy.
  - c. Add the *value* of each component together to arrive at the *site value* of the *land* as a whole.

## CAPITAL VALUE

### Capital Value – Valuation Assumptions

In line with the definition of *capital value* under s 5(1) of the VL Act, the valuer must assume:

- The *land* is capable of being separately sold.
- The *estate in fee simple* in the *land* to be *valued* is *unencumbered* and the *valuation* is not of the taxpayer's interest in the *land*.
- The capital amount expected to be realised upon sale is the estimated amount for which the *land* should exchange on the *date of valuation* between a *willing buyer* and a *willing seller* in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- The *willing buyer* and *willing seller* are hypothetical.

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- If the *value* of the *land* is enhanced by trees planted on the *land*, other than commercial trees, or trees preserved on the *land* for the purpose of shelter or ornament, the *capital value* must be determined as if the *value* of the *land* had not been so enhanced.

**Capital Value – Valuation Considerations**

The following *capital value* considerations as at the *date of valuation* must be reflected in the valuation:

- The *highest and best use* of the *land*.<sup>9</sup>
- The physical condition, location, surroundings and all interests or restrictions imposed by generally applicable legislation on the *estate in fee simple* in the *land*.
- The market rental for the *land* occupied by the electricity generating operator, having regard to the generating capacity of the improvements on the *land*.
- Where the *land* is on a State/local heritage list take into account the fact that the *land* is on a heritage list in the *valuation*, including disregarding any potential use of the *land* that is inconsistent with its preservation as a place of State or local heritage significance or *value* (s 22B VL Act).
- Consideration must be given to any site contamination on or in the *land* where it is identified.
- With reference to the *Valuation of Land Regulations 2020* (VL Reg) the determination of *capital value* for *wind farms* and *solar farms* should not take into account those *fixtures* and improvements outlined under regulation 10(1), especially 10(1)(b), as they are not used by a body as proclaimed under 10(2). The main points of regulation 10(1) and 10(2) are detailed in the next three dot points -

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<sup>9</sup> Refer to Valuer-General's Policy: *VGP 08/2020 - Highest and Best Use*



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- Any item of machinery, plant or equipment that is used in connection with the *land* being used for purposes that are in scope of this policy, or trade, manufactory or other business must not be taken into account in the *valuation* of the *land* where:
    - It is not fixed to the *land* or premises; or
    - It is fixed to the *land* or premises so as to be capable of being removed without structural damage, other than minor or trivial structural damage, to the *land* or premises.
  - Any main, pole, transformer, wire, pipe, machinery, plant, or equipment that is used in the connection with the generation and supply of electricity, the supply of gas or water or the provision of sewerage and is erected on *land* occupied by a public utility undertaking<sup>10</sup> to the supply or provision of such services must not be taken into account in the *valuation* of the *land*, unless:
    - It is electricity generating plant, and substations for converting, transforming, or controlling electricity that are used by a body specified by proclamation under clause 3(2) of Schedule 1 of the *Electricity Corporations (Restructuring and Disposal) Act 1999*; and
    - are situated on *land* to which a proclamation under clause 3(3) of Schedule 1 applies.
  - trees planted for the primary purpose of commercial production of timber, or the prevention of degradation of *land*, or the disposal of effluent, or the provision of a habitat for wildlife.<sup>11</sup>

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<sup>10</sup> Whether or not an agency or instrumentality of the Crown

<sup>11</sup> See Regulation 10 of the *Valuation of Land Regulations 2020*



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## Capital Value - Valuation Method

### **EXAMPLE ONE**

**Where an assessment is developed solely as a *wind farm* or *solar farm***

In this example the *land* – utilised as a *wind farm* or *solar farm* - is occupied by a lessee who pays a rent (often referred to as a *ground rental*) for the right to occupy the whole *land* but does not utilise any *fixtures* as part of the lease agreement (typically with *wind farms* and *solar farms* the lessee utilise their own improvements and structures as part of their operations. These improvements and structures are not *fixtures* and remain the personal chattels of the lessor).

The market rent for the lease must be taken into account in determining the capital amount that an *estate in fee simple* in the *land* might reasonably be expected to realise upon its sale (unless the lease has a depreciatory effect on the market *value* of the *land* as outlined earlier in this policy on page 8).

Therefore, the determination of *capital value* is to have regard to the imputed market income. The *valuation* is to be based on the *Capitalisation of Income Approach* and is to have regard to the valuation considerations and assumptions within this Policy.

In utilising the *Capitalisation of Income Approach*:

- The imputed market income is the *ground rental*.
- The imputed market income is to have regard to nameplate output (megawatts).
- The capitalisation rate will reflect:
  - the risk associated with the general market lease arrangements for such an occupation (such as exit clauses).
  - the assumption that the *wind farm* or *solar farm* occupant will seek to remain in occupation for the foreseeable future.

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Valuation of  
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**Where an assessment has two or more occupations, one of which is as a *wind farm* or *solar farm***

The *valuation* of the *land* can be undertaken on a *Piecemeal Approach* (illustrated as **a + b = c** below), where:

- a. For that portion of the *land* occupied by a lessee who pays a rent (often referred to as a *ground rental*) for the right to occupy the *land*, but does not utilise any *fixtures* as part of the lease agreement – as is the case with *wind farms* and *solar farms* – the market rent for the lease must be taken into account in determining the capital amount that an *estate in fee simple* in the *land* might reasonably be expected to realise upon its sale<sup>12</sup> (unless the lease has a depreciatory effect on the market *value* of the *land* as outlined earlier in this policy on page 8).

Therefore, the determination of *capital value* is to have regard to the imputed market income associated with the occupation. The *valuation* of this portion of *land* is to be based on the *Capitalisation of Income Approach* and is to have regard to the valuation considerations and assumptions within this Policy.

NOTE – any improvements made to the *land* by the occupier are not to be considered in the *capital value* unless they can be regarded as a *fixture*.<sup>13</sup>

In utilising the *Capitalisation of Income Approach*:

- The imputed market income is the *ground rental*.
- The imputed market income is to have regard to nameplate output (megawatts).
- The capitalisation rate will reflect:

<sup>12</sup> Woods v Valuer-General SACAT 2019\_SA004073 [103].

<sup>13</sup> Excluding those fixtures and improvements outlined under regulation 10(1), especially 10(1)(b) of the VL Reg as they are not used by a body as proclaimed under 10(2) - refer pages 15 and 16.

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- the risk associated with the general market lease arrangements for such an occupation (such as exit clauses).
  - the assumption that the *wind farm* or *solar farm* occupant will seek to remain in occupation for the foreseeable future.
- b. For that portion of *land* that is **not** occupied by the *wind farm* or *solar farm*, the *valuation* of that portion of *land* is to be based on *Direct Comparison* and must reflect the *highest and best use* of the *land* and have regard to the valuation conditions and assumptions in this Policy.
- c. Add the *value* of each component together to arrive at the *capital value* of the *land* as a whole.

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## REFERENCES

### Definitions

- Refer to VGG 05/2022 - Glossary of Terms and Definitions

### Legislation

- *Valuation of Land Act 1971*
- *Valuation of Land Regulations 2020*

### Case Law

- *Woods v Valuer-General SACAT 2019\_SA004073.*
- *Harry v The Valuer-General (1975) 12 SASR 446, 450.*
- *Perpetual Trustee Co Ltd v Valuer General; Trust Co of Australia Ltd v Valuer-General (No 2) [2007] SASC 340; (2007) 99 SASR 251.*
- *Perpetual Trustee Co Ltd v Valuer-General; Trust Co of Australia Ltd v Valuer-General [2008] SASC 169; (2008) 101 SASR 110*

### Policy

- VGP 08/2020 Highest and Best Use
- VGP 11/2020 Valuation of Land Affected by Spray Drift
- VGG 05/2022 Glossary of Terms and Definitions
- VGD 06/2022 OVG Policy – Communications Management Plan

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### DOCUMENT CONTROL


#### Version

Version	Status	Date	Prepared By	Comments
0.1	Draft v0.1	8 November 2021	S Howson	Development of initial content, research, review of past directives and case law.
0.1	Review of Draft v0.1	23 November 2021	K Bartolo	Reviewed and feedback provided
0.1	Review of Draft v0.1	22 December 2021	A Smit	Reviewed and feedback provided (verbally)
0.2	Draft v0.2	11 February 2022	S Howson	Second draft with feedback changes actioned
0.2	Review of Draft v0.2	7 March 2022	A Smit	Second draft reviewed and feedback provided
0.2	Review of Draft v0.2	9 March 2022	K Bartolo	Second draft reviewed and feedback provided
0.3	Draft v0.3	9 March 2022	S Howson	Third draft with feedback changes actioned – ready for LSSA feedback
0.3	Draft v0.3	16 March 2022	S Howson	Draft sent to LSSA for feedback
0.3	Review of Draft v0.3	4 May 2022 & 15 July 2022	A Smit, R Bach & D Rasmus	Reviewed and feedback provided (verbally)
0.4	Draft v0.4	5 August 2022	S Howson	Fourth draft with feedback changes actioned

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## Approval

Name and Position	Signature and Date
Katherine Bartolo Valuer-General	  26 August 2022

## Next Review

Date	Comments
26 August 2024	Biennial policy review. May be reviewed sooner following release or as needed.

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## APPENDIX A: Out of Scope Wind Farm and Solar Farm Categories

*Wind farms* and *solar farms* fall into one of three categories:

1. *Land* generating electricity for commercial purposes.
2. *Land* generating electricity for self-sustaining consumption.
3. *Land* generating electricity and occupied by a public utility.

Readers of this VGP 08/2022 Valuation of Wind farms and Solar farms need to be aware that *Land Use Code(s)*, Assessment Configuration (including Occupancies) and Treatment of *Value* can differ for each category.

### CATEGORY 1

*Land* generating electricity for commercial purposes is to be valued in accordance with VGP 08/2022 Valuation of Wind farms and Solar farms.

### CATEGORY 2 & 3

*Land* generating electricity for self-sustaining consumption, and land generating electricity and occupied by a public utility, are out of the scope of VGP 08/2022 Valuation of Wind farms and Solar farms.

### LAND USE CODE(S), ASSESSMENT CONFIGURATION (INCLUDING OCCUPANCIES) AND TREATMENT OF VALUE

*Land Use Codes* for categories 1, 2 and 3 may be applied as outlined within VGP 08/2022 Valuation of Wind farms and Solar farms (refer pages 4-5).

Further, assessment configuration and record creation, as detailed within 3.7.3.3 and 3.7.3.7 of the *Valuation Services Operations Manual*, is the same for all categories – 1, 2 and 3.

It is *occupancy valuations* and treatment of *value* that differs between the categories.

### A NOTE ON OCCUPANCY VALUATIONS

Category 1 is the only category of *wind farm* and *solar farm* assessments that require *occupancy valuations*.

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For category 2 and 3 assessments *occupancy valuations* should not be created for a property based on different *land* uses. This is because the different *land* uses are conducted by the same *owner* (or the same occupier).

**Example 1:**

SA Water have installed solar panels at Adelaide's desalination plant at Port Stanvac, the Bolivar Wastewater Treatment Plant and at pumping stations that move water from the Murray to Whyalla on the Upper Eyre Peninsula to reduce the utility's state-wide electricity bill. No *occupancy valuations* are required in this instance.

**Example 2:**

Castle Plaza Shopping Centre in Edwardstown South Australia has a solar shaded car park which features over 430 shaded spaces with a solar capacity of 1 megawatt (MW), which is in addition to the existing 1.3MW installed on the centre's roof space. Nearly 3,000 solar PV panels have been laid across the centre car park, ensuing customers can benefit from improved facilities when they visit. The centre is also home to Australian retail property's first storage battery. The Sungrow Samsung 548kWh battery can store and release solar energy when the centre needs it. This helps to better manage Castle Plaza Shopping Centre energy use and further reduces impact on the grid, especially in peak periods. The solar shaded car park generates a significant volume of clean, renewable energy for the centre to use with annual generation from the completed roof and car park solar system estimated at more than 3,300MWh, which is enough clean energy to power over 600 average South Australian homes for a year. As the solar panels are for centre use no *occupancy valuations* are required in this instance.

**A NOTE ON TREATMENT OF VALUE FOR CATEGORY 2 ASSESSMENTS - Land generating electricity for self-sustaining consumption**

Category 2 assessments are examples of properties that use solar panels or wind turbines for personal use NOT commercial use (energy produced is not sold back to the grid).



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Whilst the improvements in this instance may be noted in the description e.g., 6H SOLAR the overall LUC would reflect the property use e.g., Shopping Centre, Warehouse, Dwelling etc. and no tenancy apportionments would apply for the solar panels or wind turbines (unlike in a commercial situation where tenancies would apply due to the different occupations).

Whilst the solar panels or wind turbines are not valued in the same way as those used for commercial purposes the enhancement, or detriment, they can have on an overall property must be considered in any valuation made with reference to market evidence.

**Example 1:**

Solar panels over a Shopping Centre or Bunnings Warehouse: Whilst the panels, per se, are not valued most valuers would acknowledge that there is a benefit provided to the occupier(s) from these assets by way of reduced running/utility costs. It could therefore be assumed/demonstrated that this would make the improvements more attractive to the market - tenants and hypothetical purchasers. From a valuation standpoint this would be reflected in potentially higher rentals or better rates of return.

**Example 2:**

Solar panels on grazing land: The panels can provide shelter to livestock (which can result in better quality/condition of animal (e.g., better wool) plus the dew run off from the panels can improve the soil quality and output (i.e., more feed for livestock). From a valuation standpoint this would be reflected in a higher market value rate being applied to reflect the quality of the land.

**Example 3:**

Solar panels on a residential house: Whilst the panels are not valued most valuers would acknowledge that there is a benefit provided to the occupier(s) from these assets by way of reduced running/utility costs. It could therefore be assumed/demonstrated that this would make the improvements more attractive to the market - tenants and hypothetical purchasers. From a valuation standpoint this would be reflected in potentially higher rentals, or possibly more market demand, to purchase a property with panels. In this instance sales evidence may reflect the benefit of having vs not having.

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**A NOTE ON TREATMENT OF VALUE FOR CATEGORY 3 ASSESSMENTS - Land generating electricity and occupied by a public utility**

As outlined on pages 15 and 16 of VGP 08/2022 Valuation of Wind farms and Solar farms, and with reference to the *Valuation of Land Regulations 2020* (VL Reg), the determination of *capital value* for *wind farms* and *solar farms* should not take into account those *fixtures* and improvements outlined under regulation 10(1), especially 10(1)(b), as they are not used by a body as proclaimed under 10(2):

***10—Fixtures and improvements not to be included in valuations***

*(1) Pursuant to section 34(ab) of the Act, the following fixtures and improvements must not be taken into account in determining or assessing the annual value or capital value of land where the determination or assessment is to be used for the purpose of raising, levying or imposing any rate, tax or impost:*

*(a) any item of machinery, plant or equipment that is used in connection with a trade, business or manufactory and is not fixed to the land or premises or is fixed to the land or premises so as to be capable of being removed without structural damage (other than minor or trivial structural damage) to the land or premises;*  
*(b) any main, pole, transformer, wire, pipe, machinery, plant or equipment that is used in connection with the generation and supply of electricity, the supply of gas or water or the provision of sewerage and is erected on land occupied by a public utility undertaking (whether or not an agency or instrumentality of the Crown) related to the supply or provision of such services;*

*(c) trees planted—*

*(i) for the primary purpose of—*

- (A) the commercial production of timber; or*
- (B) the prevention or amelioration of degradation of land; or*
- (C) the disposal of effluent; or*
- (D) the provision of a habitat for wildlife; or*

*(ii) for any 2 or more of the purposes specified in subparagraph (i).*

*(2) Despite sub regulation (1), electricity generating plant, and substations for converting, transforming or controlling electricity, that—*

*(a) are used by a body specified by proclamation under clause 3(2) of Schedule 1 of the Electricity Corporations (Restructuring and Disposal) Act 1999; and*

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*(b) are situated on land to which a proclamation under clause 3(3) of that Schedule applies, are to be taken into account in determining or assessing the annual value or capital value of land for the purpose of raising, levying or imposing rates under the Local Government Act 1999.*

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## APPENDIX B: Information Sources

Useful sources of South Australian wind farm and solar farm information include the following:

List of wind farms in South Australia

[List of wind farms in South Australia - Wikipedia](#)

List of power stations in South Australia

[List of power stations in South Australia - Wikipedia](#)

Further information about industry electrical licensing, and exemptions:

Essential Services Commission of South Australia

[ESCOSA - Licence / Exemption register](#)

### Service Providers and Assets

List of present and past Network Service Providers regulated by the AER. The list also includes gas and electricity assets in the Australian Energy sector. Assets may be covered by a form of regulation or unregulated.

[Service providers & Assets | Australian Energy Regulator \(aer.gov.au\)](#)

### Australian Energy Regulator Information

[Public register of network exemptions | Australian Energy Regulator \(aer.gov.au\)](#)

[Authorisations and exemptions | Australian Energy Regulator \(aer.gov.au\)](#)

### **PUBLIC UTILITIES: Electricity, gas and water supply in South Australia**

For the vast majority of South Australia, electricity is generated by multiple organisations, transmitted by **ElectraNet** and distributed by **SA Power Networks**, which owns and maintains the distribution power lines and most household electricity meters. Electricity is sold to homes and businesses through a number of different retailers.

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Gas is extracted from under the ground, transmitted by the **SEA Gas Pipeline** and **Moomba to Adelaide Pipeline System**, and distributed to homes and businesses by **Australian Gas Networks**, which owns the distribution pipelines and household gas meters. Gas is sold to homes and businesses through a number of different retailers.

Drinking water in Greater Adelaide is most commonly pumped from the River Murray and reservoirs. It is treated and distributed to homes by **SA Water**, which also provides sewerage services. Homes not using water and sewerage services provided by SA Water may use rainwater or get their water from an irrigation trust or under a water allocation plan<sup>14</sup>

<sup>14</sup> [Guide to electricity, gas and SA Water services \(www.sa.gov.au\)](http://www.sa.gov.au)