

GOVERNMENT OF INDIA  
MINISTRY OF POWER

LOK SABHA  
UNSTARRED QUESTION NO.5329  
ANSWERED ON 03.04.2025

**VIABILITY GAP FUNDING FOR BATTERY ENERGY STORAGE SYSTEMS**

**5329. SHRI AZAD KIRTI JHA:**

**Will the Minister of POWER**

**be pleased to state:**

- (a) the details of the Viability Gap Funding (VGF) Scheme for Battery Energy Storage Systems (BESS) including the approved financial outlay and expected capacity addition;**
- (b) the reasons for reduction in the funds allocation from 96 crore rupees in 2024-25 to 46 crore rupees in the Revised Estimates along with the reasons for zero expenditure so far;**
- (c) the measures taken by the Government to ensure timely implementation and achievement of the 13,200 MWh target by 2027-28;**
- (d) whether the Government has assessed the scheme's impact on renewable energy integration and infrastructure cost reduction and if so, the details thereof; and**
- (e) the steps taken by the Government to ensure optimal fund utilization and prevent delays?**

**A N S W E R**

**THE MINISTER OF STATE IN THE MINISTRY OF POWER**

**(SHRI SHRIPAD NAIK)**

**(a) : The Union Cabinet approved the Viability Gap Funding (VGF) Scheme for Battery Energy Storage Systems (BESS) on 6<sup>th</sup> September 2023, to support the development of BESS. As per the Scheme, VGF support will be provided for BESS approved during 2023-26. The fund disbursement will occur in 5 tranches: 10% upon financial closure of the project, 45% upon achieving the Commercial Operation Date (COD), and 15% per year over the next 3 years from COD. With the decline in battery prices, the scheme capacity has been increased from 4000 MWh to 13,200 MWh while staying within the approved budgetary allocation of Rs 3,760 Cr.**

**(b) : A budgetary provision of ₹96 Crore was made for 1000 MWh BESS in 2024-25, assuming 10% disbursement upon financial closure. However, with falling BESS costs, the VGF amount reduced from ₹96 lakh per MWh (estimated in 2023-24) to ₹46 lakh per MWh or 30% of capital cost, whichever is lower. As a result, the budgetary allocation was revised from ₹96 Crore to ₹46 Crore. As per scheme guidelines, 10% of VGF is to be disbursed after financial closure. Since, none of the projects could achieve financial closure, no expenditure was incurred under the scheme during 2024-25.**

**(c) & (e) : Central Electricity Authority (CEA) is responsible for monitoring the scheme, while the Ministry of Power oversees the scheme, to ensure timely completion and efficient fund utilisation.**

**(d) : The National Electricity Plan 2023 estimates that 236 GWh BESS would be required by 2031-32. This scheme will support integration of renewable energy and help minimize costs during peak demand periods in non-solar hours.**

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