

Viability Gap Funding Scheme for Battery Energy Storage Systems

Source: PIB

Why in News?

Recently, the Union Cabinet has approved the Scheme for **Viability Gap Funding (VGF)** for the development of **Battery Energy Storage Systems (BESS)**, aiming to boost the adoption of renewable energy sources.

 Battery storage, or BESS, are devices that enable energy from renewables, like solar and wind, to be stored and then released when the power is needed most.

Note: VGF is a financial mechanism used by governments **to bridge the gap between the cost of infrastructure projects and their economic viability**. It is typically employed in projects that are considered **economically unviable or financially unattractive** for private investors due to various reasons, such as high capital costs, low revenue potential, or long gestation periods.

What is the VGF Scheme for Battery Storage?

About:

- The government will provide financial support of up to 40% of the capital cost as budgetary support through Viability Gap Funding (VGF) to substantially reduce the cost of battery storage systems, making them more economically viable.
- The scheme is strategically designed to harness the potential of renewable energy sources, such as solar and wind power, to provide clean, reliable, and affordable electricity to citizens.
- To ensure the benefits of the scheme reach consumers, a minimum of 85% of the BESS project capacity will be made available to Distribution Companies (Discoms).
 - This strategic move not only strengthens the integration of renewable energy into the electricity grid but also minimizes waste and optimizes the utilization of transmission networks. Consequently, it reduces the need for costly infrastructure upgrades.

Objective:

- The primary objective is to facilitate the development of 4,000 megawatt hour (MWh) of BESS projects by 2030-31.
- By offering VGF support, the scheme targets achieving a Levelized Cost of Storage (LCoS) ranging from Rs. 5.50-6.60 per kilowatt-hour (kWh).

• This cost-effectiveness makes stored renewable energy a practical choice for managing peak power demand nationwide.

Significance:

- The Government of India reaffirms its commitment to promoting clean and green energy solutions. The BESS Scheme represents a **significant step towards achieving this vision by harnessing renewable energy** and promoting the adoption of battery storage.
- This initiative aims to create a brighter and greener future for all citizens, aligning with global <u>sustainability goals</u>.

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