July 2025

Draft regulations on battery energy storage systems released by the Andhra Pradesh Electricity Regulatory Commission

The Andhra Pradesh Electricity Regulatory Commission ("**APERC**") on June 30, 2025, released the draft APERC [Planning, Procurement, Deployment, and Utilisation of Battery Energy Storage Systems (BESS)] Regulations, 2025 ("**Draft BESS Regulations**"). The Draft BESS Regulations aim to establish a comprehensive framework for the deployment, ownership, and operation of Battery Energy Storage Systems ("**BESS**") in the state of Andhra Pradesh, aligned with national guidelines and policies, including the 2022 Guidelines and the National Framework for Energy Storage Systems, 2023 released by the Ministry of Power. The Draft BESS Regulations seek to catalyse private investment, promote grid stability, and enable market-based participation in ancillary services. Comments and suggestions on the draft may be submitted to APERC on or before July 21, 2025.

Salient features

1. **Enabling BESS across the value chain**: BESS may be developed and owned by distribution and transmission licensees, generating companies, renewable energy developers, aggregators, system operators, independent service providers or any other third-party investors. The systems may be deployed as standalone installations, co-located with generation sources, embedded within network infrastructure, or installed behind the meter at the consumer end.
2. **BESS planning and procurement criteria**: Distribution and transmission licensees are required to determine BESS locations in the distribution or transmission system based on reverse power flow at substations and should also seek prior approval from the APERC for procurement. While a minimum project size of 1 MW (one megawatt) and above (with at least 4 (four) hour energy storage) is prescribed, exemptions are provided for BESS set up at the distribution transformer level to support local solar rooftop generation.
3. **Third-party and open access participation enabled**: The draft regulations expressly allow renewable energy developers, including independent power producers (IPPs), to set up BESS either at the generation site or separately for use by their consumers through open access. However, the draft does not clearly address whether BESS can be independently used by third-party consumers, leaving ambiguity on this aspect.
4. **Participation in ancillary service markets**: BESS is eligible to provide frequency regulation (primary, secondary, and tertiary), spinning and non-spinning reserves, voltage support, and black start services. Aggregators may combine BESS capacity from multiple sites to offer grid services, subject to registration and approval by the State Load Despatch Centre ("**SLDC**").
5. **Market and tariff framework**: Licensee-owned BESS assets will be subject to cost recovery through tariff determination by APERC, based on prudent investment norms. BESS services procured from private developers

must follow competitive bidding. For market-linked services, compensation will be based on market-clearing prices or such other mechanism as approved by APERC.

6. **Role of utilities in BESS planning**: The Draft BESS Regulations require distribution licensees to include BESS in their resource planning and submit investment proposals to the Commission. However, it does not explicitly require utilities to factor BESS into demand forecasting, load dispatch planning, or renewable energy integration strategies, which may warrant further regulatory clarity.
7. **Operational framework and governance**: SLDC is designated as the nodal agency for registering BESS and aggregators, determining ancillary service requirements, scheduling and dispatch, and settlement. SLDC must also publish annual and real-time estimates of ancillary service requirements and monitor key performance indicators including state of charge (SoC), efficiency, response time, and availability.
8. **Consumer and prosumer participation**: Consumers and prosumers not covered under net metering or billing may install behind-the-meter BESS without the prior approval of the Distribution Company ("**DISCOM**"), subject to compliance with the technical standards prescribed by the Central Electricity Authority ("**CEA**"). For systems integrated with the grid, inspection and certification by the concerned DISCOM or transmission licensee is required. Standalone systems are exempt from this requirement.
9. **Compliance and oversight**: APERC will approve BESS procurement proposals, investment and tariff filings, SLDC procedures for ancillary services, eligibility criteria for aggregators, and standard agreement formats. The APERC is also empowered to issue directions, amend provisions, relax regulations, and remove implementation difficulties as needed.
10. **Technical and performance oversight**: All BESS installations must conform to technical standards specified by the CEA and comply with specifications approved by the Ministry of New and Renewable Energy. BESS providers must also submit periodic operational data to the SLDC and the APERC in the formats prescribed by the SLDC.

Conclusion

The Draft BESS Regulations represent a crucial step towards operationalising Andhra Pradesh's ambitious clean energy goals under its 2024 Integrated Clean Energy Policy. By enabling both centralised and decentralised storage, the framework supports renewable energy integration, enhances grid reliability, and opens new avenues for market participation in ancillary services. Regulatory certainty and competitive procurement models aim to attract private investment and drive innovation. Stakeholders are encouraged to engage in the consultation process and assess opportunities for deployment and participation across the electricity value chain.

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