

**AUTHORITY FOR ADVANCE RULING, TAMIL NADU**  
**No.207, 2<sup>nd</sup> FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,**  
**CHENNAI 600 006.**

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND**  
**UNDER SECTION 98(4) OF THE TNGST ACT, 2017**

**Members present:**

<b>Shri C. Thiyagarajan, I.R.S., Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.</b>	<b>Shri B. Suseel Kumar, BE., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.</b>
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**Advance Ruling No. 9/ARA/2025, dated 29.01.2026**

- 1. Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*
- 2. In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-*
  - (a) On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.*
  - (b) On the concerned officer or the Jurisdictional Officer in respect of the applicant.*
- 3. In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*
- 4. Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*
- 5. The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the Act) are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	UNREGISTERED
Legal Name of Applicant	INDIGRID 2 PRIVATE LIMITED
Trade Name of Applicant	INDIGRID 2 PRIVATE LIMITED
Registered Address/ Address provided while obtaining User id	IndiGrid Infrastructure Trust, 10 <sup>th</sup> Floor, Berger Tower, C-001/A2, Sector-16B, Gautam Buddha Nagar, Noida, Uttar Pradesh - 201301.
Details of Application	Application Form GST ARA-01 received from the applicant on 04.03.2025.(Online)
Jurisdictional Officer	State – Centre –
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for  A. Category  B. Description (in brief)	<p>Factory/Manufacturing and Service Provision.</p> <p>The applicant is engaged in the activity of developing and operating Battery Energy Storage System (BESS) for or on behalf of various transmission, distribution and trading agencies in India. The applicant enters into Battery Energy storage Purchase Agreement (BESPA) with various transmission and distribution companies for development and establishment of BESS at specified locations for storage and discharge of electricity. The applicant registered in various states but presently not registered in the state of Tamilnadu.</p> <p>The applicant provides a facility of BESS that can be used to store electricity in the form of chemical energy and deliver stored energy back in the form of electricity. This is used to achieve continuous power flow where energy supply can experience fluctuations due to weather, blackout or for other geopolitical reasons. By storing energy after generation is high and</p>

releasing it when demand exceeds generation or during unavailability of renewable energy sources. BESS plays an important role in grid balancing in the wake of large-scale penetration of renewable energy.

BESS projects could be operationalised in two ways namely,

(i) on standalone basis by the BESS operator (standalone BESS)

(ii) BESS owned by and co-located with generation, transmission and distribution utilities (co-located BESS).

As per BESPFA, BESS project developer is entrusted with the responsibility to develop and operate BESS at multiple locations. BESS project operator has to keep the BESS ready for charging and further discharging and releasing the stored electricity as and when required by the transmission, distribution and trading agencies who in turn uses the electricity for its own purposes or for further sale. The applicant is also responsible for maintenance of transmission system up to the delivery point. The applicant is responsible to set up dedicated transmission network up to the delivery point at its own cost and it is undertaken based on customer requirements. Thus, all approvals, permits and clearances required for setting up of the BESS and dedicated transmission network up to the delivery point is within the applicant's scope of work.

For carrying out the said activity of storing and consequently discharging electricity/electrical energy, for both standalone or co-located system, the applicant charges a fixed tariff every month based on the contracted capacity made

	available to the customer during the period of BESPAs. The tariff is determined based on the terms of the CESPAs executed between the applicant and the customers.
Issues on which advance ruling is required	(i) Applicability of a notification issued under the provisions of the Act. (ii) Determination of the liability to pay tax on any goods or service or both (iii) Whether applicant is required to be registered under the Act.
Question(s) on which advance ruling is required	1. Whether the activity of development and operation of BESS when such BESS is put on a standalone basis i.e not with generation transmission and distribution utility, would amount to supply of electrical energy, and consequently be exempt from payment of GST in terms of Notification No. 02/2017-CT(Rate) dated 28-06-2017. 2. Whether the activity of development and operation of BESS when such BESS is co-located (i.e put up with generation, transmission and distribution utility) would amount to supply of electricity and consequently be exempt from payment of GST in terms of Notification No. 02/2017-CT(Rate) dated 28-06-2017 or be exigible to nil rate of duty in terms of Sl. No. 25 of Notification No. 12/2017-CT(Rate) dated 28-06-2017? 3. In the event the authority is of the considered view that the exemption shall not be available to the BESS projects whether standalone or co-located, then what will be the applicable rate of GST? Consequently, whether the applicant is required to obtain registration in the state of Tamilnadu?

M/s. INDIGRID 2 PRIVATE LIMITED, IndiGrid Infrastructure Trust, 10<sup>th</sup> Floor, Berger Tower, C-001/A2, Sector-16B, Gautam Buddha Nagar, Noida, Uttar Pradesh - 201301 (hereinafter called as the "Applicant") are at

present unregistered under the GST Act in the State of Tamilnadu. The applicant has sought advance ruling on the following question:

1. *Whether the activity of development and operation of BESS when such BESS is put on a standalone basis i.e not with generation transmission and distribution utility, would amount to supply of electrical energy, and consequently be exempt from payment of GST in terms of Notification No. 02/2017-CT(Rate) dated 28-06-2017?*
2. *Whether the activity of development and operation of BESS when such BESS is co-located (i.e put up with generation, transmission and distribution utility) would amount to supply of electricity and consequently be exempt from payment of GST in terms of Notification No. 02/2017-CT(Rate) dated 28-06-2017 or be exigible to nil rate of duty in terms of Sl. No. 25 of Notification No. 12/2017-CT(Rate) dated 28-06-2017?*
3. *In the event the authority is of the considered view that the exemption shall not be available to the BESS projects whether standalone or co-located, then what will be the applicable rate of GST? Consequently, whether the applicant is required to obtain registration in the state of Tamilnadu?*

2. The Applicant has made a payment of application fees of Rs.5,000/- each vide CPIN: 25033300015376 dated 04-03-2025 under sub rule (1) of Rule 104 of CGST Rules, 2017 and SGST Rules, 2017.

#### **FACTS AS STATED BY THE APPLICANT**

3. The applicant is engaged in the activity of developing and operating Battery Energy Storage System (BESS) for or on behalf of various transmission, distribution and trading agencies in India. The applicant enters into Battery Energy storage Purchase Agreement (BESPA) with various transmission and distribution companies for development and establishment of BESS at specified locations for storage and discharge of electricity. The applicant registered in various states but presently not registered in the state of Tamilnadu.

4. The applicant provides the facility of BESS that can be used to store electricity in the form of chemical energy and deliver stored energy back in the form of electricity. This is done to achieve continuous power flow where energy supply can experience fluctuations due to weather, blackout or for other geopolitical reasons. By storing energy when generation is high (during sunny or windy periods) and releasing it when demand exceeds generation or during unavailability of renewable energy sources, BESS plays an important role in grid balancing in the wake of large-scale penetration of renewable energy.

5. BESS projects could be operationalised in two ways namely,

(i) on standalone basis by the BESS operator (standalone BESS)

(ii) BESS owned by and co-located with generation, transmission and distribution utilities (co-located BESS).

6. As per BESP, BESS project developer is entrusted with the responsibility to develop and operate BESS at multiple locations. BESS project operator has to keep the BESS ready for charging and further discharging and releasing the stored electricity as and when required by the transmission, distribution and trading agencies who in turn uses the electricity for its own purposes or for further sale. The applicant is also responsible for maintenance of transmission system up to the delivery point. The applicant is responsible to set up dedicated transmission network up to the delivery point at its own cost and it is undertaken based on customer requirements. Thus, all approvals, permits and clearances required for setting up of the BESS and dedicated transmission network up to the delivery point is within the applicant's scope of work.

7. For carrying out the said activity of storing and consequently discharging electricity/electrical energy, for both standalone or co-located systems, the applicant charges a fixed tariff every month based on the contracted capacity made available to the customer during the period of BESP. The tariff is determined based on the terms of the CESP executing between the applicant and the customers.

#### **8. WORKING OF STANDALONE BESS (SBESS) MODEL**

- SBESS are dynamically sized and designed to suit any long duration storage requirement. It is made up for multiple containerised units and can stand in any convenient location which could be outside the customer's existing plant.
- SBESS is charged using grid energy whenever it is available during off-peak periods and the stored energy is utilised to balance the demand/supply mis-match due to power shortfall/outages during the peak demand period.
- SBESS projects are owned by the developer, whether such projects are situated independently, not co-located with generation, transmission and distribution utilities. They supply electricity to the grid/customer on a regular basis as and when required.

#### **9. WORKING OF CO-LOCATED BESS MODEL**

- Co-located BESS is owned and co-located with a generation/distribution/transmission utilities. The functioning is same as that of the SBESS, which is charged during off-peak hours and the energy is released by way of discharge as and when required.

Electricity generated in excess is supplied to the BESS by way of charging the batteries of BESS at scheduled times. BESS then stores this electricity using batter storage technology. When required by their customer during peak demands, power outages or grid balancing, the batterics discharge to release energy.

#### **10. MODE OF BUSINESS OPERATION BY APPLICANT.**

- The applicant enter into BESPA with various transmission, distribution and trading agencies where the applicant is entrusted with the responsibility to devclop and operate BESS at multiple locations (as required by the customers).
- The responsibility of the applicant include, keeping the BESS ready for charging and further discharging and releasing the stored electricity as when required by their customers.
- The applicant is also responsible for maintenance of transmission system up to the delivery point at their own cost and it is as per the customers requirements.
- The scope of work of the applicant is that all approvals, permits and clearances required for setting up the BESS and the related networks up to the point of delivery.
- The applicant charges a fixed tariff every month based on the contracted capacity made available to the customer during the period of BESPA and the tariff is determined based on the terms of the BESPA executed between the applicant and their customers.

#### **11. PROVISIONS OF ELECTRICITY ACT/RULES APPLICABLE AS STATED BY THE APPLICANT**

- The term 'Electricity' is defined under Section 2(23) of the Electricity Act to mean,
  - 'electricity' means electrical energy-*
  - (a) Generated, transmitted, supplied or traded for any purpose: or*
  - (b) Used for any purpose except the transmission of a message;*
- Section 2(50) of the Electricity Act defines the term 'power system' to mean
  - (50) "power system" means all aspects of generation, transmission, distribution and supply of electricity and includes one or more of the following, namely:-*
  - (a) generating stations;*
  - (b) transmission or main transmission lines;*
  - (c) sub-stations;*
  - (d) tie-lines;*
  - (e) load despatch activities;*
  - (f) mains or distribution mains;*

- (g) electric supply-lines;*
- (h) overhead lines;*
- (i) service lines;*
- (j) works;*

- The applicant claims that according to Rule 18 of the Electricity Rules, 2005, the energy storage system(ESS) shall be considered as a part of the power system(1)); that the status of the same is based on its application area (2)); that when ESS is owned and operated by and co-located with generating station or a transmission licensee or a distribution licensee, it shall have the same legal status as that of the owner(4)); that the independent energy storage system is a delicensed activity on par with generating company.
- The applicant stated that the Ministry of Power has also discussed about the legal status extended to BESS under the Electricity Rules that they are part of the 'power system'; that the ESS can be used independently of in conjunction with generation, transmission and distribution infrastructure based on its application area.
- As per the National Frame work for promoting Energy Storage System, an independent ESS is a delicensed activity on par with generating company.
- Clarification issued by the Ministry of Power states that an ESS is a part of power system defined under Section 50 of the Electricity Act, 2003; that it can be utilised as a standalone or in conjunction with generation, transmission and distribution entities and the status is given accordingly.
- Upon conjoint reading of Electricity, Acts, Rules and the clarification issued by the Ministry of Power, the applicant inferred the following.
  - (i) BESS project, both standalone and co-located shall be considered as power system as per the Electricity Act.
  - (ii) Co-located BESS project shall be accorded the same legal status as that of a generating, transmission and distribution utility.
  - (iii) Standalone BESS project is a delicensed activity at par with a generating company.
  - (iv) Irrespective of usage and application, a BESS project deals with providing electricity/electrical energy.

## **12. RELEVANT PROVISIONS OF GST**

- The applicant quoted and reproduced the definition of 'goods' and 'services' provided under Section 2(52) and 2(102) of the Act, the definition of 'supply' under Section 7, the definition of 'composite supply' provided under Section 2(30) and Section 8 of the ACT. The applicant claimed that the activity would fall under the definition of 'supply' hence their activity should be treated as 'composite supply' of 'goods & services'.

- Notification No. 02/2017-CT(Rate) dated 28-06-2017, vide Sl. No. 104 have exempted the supply of electrical energy (treating it as goods) from the levy of GST. Likewise, Sl. No. 25 of Notification No. 12/2017-CT(Rate) dated 28-06-2017 prescribes NIL rate of tax for the services of transmission and distribution of electricity by an electricity transmission or distribution utility.
- The applicant further stated that while the GST law specify the taxability of supply of electrical energy or the transmission and distribution of electricity, it does not provide clarity on the taxability of BESS or BESS projects.
- The applicant cited the case of Association of power producers Vs Solar Energy Corporation of India Limited & Others (2024(9) TMI 1009 – Delhi(HC) wherein the Hon'ble High Court of Delhi on the issue of BESS had observed that there is no provision under GST law and that the CBIC is required to issue clarification on the queries raised by the taxpayers directly.

### **13. PERSONAL HEARING**

The applicant was given an opportunity to be heard in person on 23.09.2025. Shri. Manish Mishra and Shri. Joybrata Misra of M/s. JSA Advocates & Solicitors and Shri. Nikhil Gupta, Finance Manager and Authorised Representatives of the applicant appeared for the personal hearing. AR reiterated the submissions made in their application for advance ruling. AR submitted the copy of sample invoices, agreement copy for storage and distribution subsequently.

### **14. DISCUSSION AND FINDINGS**

We have carefully considered the facts and submissions made by the appellant in their application and submissions made during the personal hearing. As per the facts presented to us, the applicant is yet to commence the business in this STATE and presented the sample agreement and copies of sample invoice raised in the utility situated in another location. Based on the facts presented to us and the documents submitted, we are taking up the queries for arriving at a decision.

**15.** As per the sample copy of the agreement submitted by the applicant, who is part of a consortium along with another entity created for the sole purpose of making the energy storage facility available to buyer for charging and discharging of BESS on an on-demand basis. Under the said agreement, the scope of work include setting-up, operate and maintain a Battery Energy Storage System. The applicable tariff for the sale of BESS capacity to buying utility under the agreement is capacity-based tariff as approved by the appropriate commission which will be fixed for entire term of agreement at

delivery point. While the capacity tariff for the entire term of agreement at an amount per Kilowatt basis shall be fixed, the buyer will be billed on monthly basis.

16. To decide whether the activity of the applicant is supply of goods or services, one has to look into the status of the applicant. Generally, the process of production of electricity includes generation, transmission and distribution. An analysis needs to be made whether the applicant would fall within any or more than one of the above activities.

17. Generation of electricity is the process of converting other forms of energy such as thermal, kinetic, solar or nuclear into electricity. The main modes of generation are conventional like using fossil fuels, nuclear, or hydropower with steam turbines, and non-conventional methods, which used renewable sources like solar, wind, geothermal, and tidal energy.

18. Electricity transmission is the process of transporting bulk electrical power over long distances from power plants to substations using high-voltage lines. The two primary modes of transmission are overhead lines, supported by towers, and underground cables.

19. Electricity distribution is the final stage of delivering electricity from substations to consumers, where high voltages are reduced to usable levels.

20. The essence of the agreement is to store the electrical energy during the peak generation period for use during demand. As of now, scientifically, electricity cannot be stored directly as such. However, it is converted into other forms of energy such as chemical Energy (batteries, hydrogen), mechanical Energy (flywheels, pumped hydro), or Thermal Energy (molten salt) for storage. The applicant here is using the method of converting the electrical energy to chemical form for storage. The applicant is receiving the electrical energy from the grid, storing it in the form of chemical energy using their resources. Therefore, applicant is not generating electrical energy from any of the sources either conventional or non-conventional. Hence, the applicant shall not be considered as a generating company.

21. BESS is not an exclusive generation, transmission or distribution facility. It is a flexible asset that can be categorised in any of the above depending on its specific function and where it is interconnected to the grid. Further, BESS is required by the generation/transmission/distribution utility where the power produced is more than the power required in a lean period of utilisation and to utilise the electrical energy when the demand is more. The classification of BESS depends on how it is used and its physical location. When a BESS is co-located with a power plant (such as a solar or wind farm) and its primary purpose is to store excess energy and dispatch it later to provide firm, dispatchable power, it is typically considered a

generation asset. A BESS may be classified as a transmission asset if it is connected to the transmission network and is used to directly affect power flows as dispatched by the transmission system operator. When a BESS is located within the distribution network, it is considered a distribution asset. Further, to treat the applicant as a generating company,

22. From the above, it is clear that the BESS should be used in conjunction with any of the utility namely generation/transmission/distribution and the function of a BESS can be construed accordingly.

23. The standalone and co-located are the terms used for the status of the BESS depending on its ownership. If a BESS developer owns the facility and provides it to any generation/transmission/distribution utility, it is said to be a 'standalone' one. If it is owned both by the BESS developer and the generation/transmission/distribution utility, it is said to be a 'co-located' facility.

24. A 'power system' as per the definition contained in Section 2(50) of the Electricity Act, 2003,

*(50) 'power system' means all aspects of generation, transmission, distribution and supply of electricity and includes one or more of the following namely:-*

- (a) generation station;*
- (b) transmission or main transmission lines;*
- (c) sub-stations;*
- (d) tie-lines;*
- (e) load despatch facilities;*
- (f) mains or distribution mains;*
- (g) electric supply-lines;*
- (h) overhead lines;*
- (i) service lines;*
- (j) works*

25. From the above, it is seen that the Energy Storage System is not a part of the Power System. Clause (1) of Rule 18 of the Electricity (Amendment) Act, 2022, and Energy Storage System is considered a part of a 'Power System'. The Ministry of Power, as per para 3 of the Circular No. 23/26/2021-R&R dated 29<sup>th</sup> Jan, 2022, states that ESS is a part of the power system defined under sub-section (50) of Section 2 of the Electricity Act, 2003. An Energy Storage System function only along with generation/transmission/ distribution entity. Hence, it may be inferred that stand alone BESS shall not be considered as either generating or transmitting or distribution utility.

26. The next question is whether the electrical energy received and despatched by the applicant shall be treated as 'purchase' or 'supply'. Here as per the agreement, the contract is for certain number of years and the price is agreed between them for the entire period of contract. However, invoices are raised by the applicant on their customers namely, generation/transmission/distribution utility on a monthly basis. That is the applicant is charging only for the usage of the BESS facility which has a specific capacity as required by their customers. Therefore, as such, there is no purchase or sale of electricity by the applicant and the transaction shall not be treated as supply of goods.

27. The applicant is providing the facility of storage of electrical energy in the form of chemical energy using BESS which uses electro chemical batteries as the applicant has the technology to store it, as the electrical energy cannot be stored as such. As per the agreement, the primary objective agreed between the parties is to make available the Energy storage facility to the customer for charging/discharging of the BESS on an 'on demand' basis.

28. The concept of Energy Storage System is a recent technological development in the field of electricity generation/transmission/distribution and hence the Ministry of Power widened the already existing Rules as "Electricity (Amendment) Rules, 2022. Rule 18 of the said Rules discusses about the energy storage system. For ease of reference, the same is reproduced hereunder.

***18. Energy Storage System- (1) The Energy Storage Systems shall be considered as a part of the power system, as defined under clause (50) of section 2 of the Act.***

***(2) The Energy Storage System shall be utilised either as independent energy storage system or network asset or in complementary with generation, transmission and distribution.***

***(3) The Energy Storage System shall be accorded status based on its application area i.e. generation, transmission and distribution.***

***(4) The Energy Storage System can be developed, owned, leased or operated by a generating company or a transmission licensee or a distribution licensee or a system operator or an independent energy storage service provider and when an Energy Storage System is owned and operated by and co-located with a generating station or a transmission licensee or a distribution licensee, it shall have the same legal status as that of the owner:***

***Provided that if such an Energy Storage System is not co-located with, but owned and operated by, the generating station or distribution licensee, the legal status shall still be that of the owner but for the purpose of scheduling***

*and dispatch and other matters it shall be treated at par with a separate storage element.*

*(5) The developer or owner of the Energy Storage System shall have an option to sell or lease or rent out the storage space in whole or in part to any utility engaged in generation or transmission or distribution; or to a Load Despatch Centre:*

*Provided that the owner of the Energy Storage System may use part or whole of the storage space himself to buy and store electricity and sell the stored electricity at a later time or date.*

*(6) The independent energy storage system shall be a delicensed activity at par with a generating company in accordance with the provisions of section 7 of the Act:*

*Provided that if the owner or developer or lessee or tenant or user seeks to operate the Energy Storage System as an independent energy storage system, it shall be registered with the Authority and the capacity of such Energy Storage System shall be verified by the Authority.*

**29.** The above provisions of the Electricity Rules specify only the status of an Energy storing System for the purpose of obtaining certification/permission (for generation) and license (required for transmission and distribution) for operating the system in conjunction with generating, transmitting and distribution utility as the Battery Energy Storage cannot function independently. This implies that the Energy Storage System is neither a generating utility nor a distribution/transmission utility but it supports the generating/transmitting/distribution utility to store the electrical energy and deliver it when needed. Even with modern scientific advancements, the electrical energy cannot be stored 'as such' after its generation. If generated in excess or not used, the electrical energy generated will go waste. To avoid such wastage of electricity, the advent of Energy Storage System came to the rescue to store electrical energy by chemical means. Though mechanical storage of electrical energy is available, the chemical storage is efficient and can be retrieved with less loss during conversion. Therefore, the very purpose of BESS is to store electricity as chemical energy and deliver the same back to the customer, when required, as electrical energy. While any generation/transmission/distribution utility can function independently before the invention of various modes of energy storage technology, it becomes mandatory for the modern generation/transmission/ distribution utility to use BESS for saving the electricity generated from going waste/unused. Thus, BESS is an essential additional facility for storage of electricity in all the three utilities namely, generation/transmission/ distribution utility.

**30.** As per the agreement, the scope of work of BESS operator *shall be to set-up, operate and maintain a Battery Energy Storage System with the*

*primary objective of making the energy storage facility available to the buying utility 'for charging/ discharging of BESS' on an 'on demand basis'.*

**31.** Further, para 4.3 of the agreement states that BESS operator shall install Main & check Meters at the delivery point both for injection and drawl of power from the grid during charging and discharging along with stand-by meters as per the applicable central/state regulations. This means that electricity is received by the applicant from the grid, stored as electrical energy in BESS and delivered back to the Grid as required. This receipt and delivery are measured by the check meters installed at critical points.

**32.** As per para-5 of the agreement, the applicable tariff for the BESS is capacity-based Tariff which will be fixed for entire term of agreement at delivery point. As a capacity-based contract, the payment will be applicable regardless of the actual utilisation of BESS. The capacity-based tariff for the entire term of agreement is fixed per MW per year and will be billed by BESS on monthly basis. This is evident from the sample/proforma invoice provided by the applicant where the charges are based on monthly basis.

**33.** The terms 'standalone' and 'co-located' used in the trade parlance is only for the purpose of ownership of BESS facility. As per clause (4) of Rule 18 of the Electricity (Amendment) Rules, 2022, if the energy storage system is developed, owned, leased or operated by an independent energy storage service provider, it is termed as 'standalone'. Alternatively, if the energy storage system is owned and operated based on an agreement with a generation/transmission/ distribution utility, then it is termed as 'co-located'. In the co-located facility, the location, capacity and various other criteria are determined as agreed by the co-located entities namely, the applicant and a generation/transmission/distribution utility. Though location and capacity are determined by mutually agreed terms, the function of a BESS for storage of electricity is not altered and remains the same. Therefore, the development and operation of BESS both for standalone and co-located are not considered as a generation/transmission/distribution utility

**34.** Therefore, for the reasons cited above, BESS shall not be considered as generation/transmission/distribution utility as the intended purpose of BESS facility is for storage by means of charging the batteries (converting electrical energy to chemical energy) and delivery by means of discharging (converting the chemical energy to electrical energy).

**35.** Next question to be answered is whether the applicant is eligible for availing complete exemption vide Sl. No. 104 of Notification No. 02/2017-CT(Rate) dated 28-06-2017, treating them as a generating company and classifying electricity as goods from the levy of GST and whether the applicant is eligible for availing complete exemption vide Sl. No. 25 of

Notification No. 12/2017-CT(Rate) dated 28-06-2017 treating the applicant as a transmission and distribution utility and classifying the activity as the service of 'transmission and distribution of electricity'.

36. The applicant is not doing the activity of generating and supplying electricity, which is classified as 'goods' and hence they are not eligible for claiming exemption under Sl. No. 104 of Notification No. 02/2017-CT(Rate) dated 28-06-2017. The applicant is also not doing the service of supply of transmission and distribution either and hence is not eligible for exemption provided under Sl. No. 25 of Notification No. 12/2017-CT(Rate) dated 28-06-2017. Therefore, the above exemption notifications are not applicable to the applicant as the exemption notifications are only for generation/transmission/distribution utility. As discussed in the paras above, the applicant shall not be classified as generation/transmission/distribution utility.

37. The activity of the applicant can rightly be classified as "support services to electricity transmission and distribution" under the HSN code 998631 and are liable to pay GST on the said service rendered, at the rate of 18%. The applicant is required to take GST registration and discharge the tax on the activity rendered.

38. In view of the above, we pass the ruling,

**RULING**

*(a) Whether the activity of development and operation of BESS when such BESS is put on a standalone basis i.e not with generation transmission and distribution utility, would amount to supply of electrical energy, and consequently be exempt from payment of GST in terms of Notification No. 02/2017-CT(Rate) dated 28-06-2017.*

The standalone BESS shall only be treated as a storage unit for storing electricity in the form of chemical energy using their technology and sell/give back to their buyer/customer as sole purpose of a standalone BESS is to assist the generation/transmission/distribution utility. As the activity is not treated as generation of electricity as discussed above, the applicant is not eligible of exemption provided under Notification No. 02/2017-CT(Rate) dated 28-06-2017.

*(b) Whether the activity of development and operation of BESS when such BESS is co-located (i.e put up with generation, transmission and distribution utility) would amount to supply of electricity and consequently be exempt from payment of GST in terms of Sl. No. Notification No. 02/2017-CT(Rate) dated 28-06-2017 or be exigible to nil rate of duty in terms of Sl. No. 25 of Notification No. 12/2017-CT(Rate) dated 28-06-2017?*

The standalone as well as co-located BESS does the same function with a difference in ownership. As the development and operation of BESS of both standalone and co-located units are not considered as a generation/transmission/distribution utility, the exemptions provided under Notification No. 02/2017-CT(Rate) dated 28-06-2017 and Notification No. 12/2017-CT(Rate) dated 28-06-2017 are not available to the applicant.

(c) *In the event the authority is of the considered view that the exemption shall not be available to the BESS projects whether standalone or co-located, then what will be the applicable rate of GST? Consequently, whether the applicant is required to obtain registration in the state of Tamilnadu?*

The activity of the applicant can rightly be classified as “support services to electricity transmission and distribution” under the HSN code 998631 and are liable to pay GST on the said service rendered, at the rate of 18%. The applicant is required to take GST registration in the state of Tamilnadu, for discharging their GST liability if the BESS is established.

  
29/01/2026

(B. Suseel Kumar)  
Member (SGST)



  
29/01/2026

(C. Thiagarajan)  
Member (CGST)

To

**M/s. INDIGRID 2 PRIVATE LIMITED**

IndiGrid Infrastructure Trust,  
10<sup>th</sup> Floor, Berger Tower,  
C-001/A2, Sector-16B,  
Gautam Buddha Nagar,  
Noida, Uttar Pradesh - 201301.

**(By Speed Post)**

**Copy submitted to:**

1. The Principal Chief Commissioner of GST and Central Excise,  
26/1, Uthathamar Mahatma Gandhi Road,  
Nungambakkam, Chennai 600 034.
2. The Commissioner of Commercial Taxes,  
2<sup>nd</sup> Floor, Ezhilagam, Chepauk, Chennai 600 005.

**Copy to:**

1. Stock File – A1.