

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:6541
ANSWERED ON:16.05.2012
FUEL SUPPLY AGREEMENT
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Will the Minister of COAL be pleased to state:

- (a) whether Coal India Limited (CIL) has agreed to sign Fuel Supply Agreement (FSAs) with power companies and if so, the details thereof ;
- (b) whether CIL board has agreed on penalty of 0.01% of the value of shortfall if the supply dips below 80% of the commitment and if so, the details thereof ;
- (c) whether Children's Investment (TCI) Fund which holds 1% equity in CIL has opposed FSA but welcomed power penalty and is also pressing for higher prices; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF COAL (SHRI PRATIK PRAKASHBAPU PATIL)

- (a): The New Coal Distribution Policy of October 2007 provides for supply of coal through Fuel Supply Agreements (FSAs). The subsidiary companies of Coal India Limited (CIL) have so far concluded 154 FSAs with power plants covering commitment of total quantity of 332.27 Million Tonnes per annum.
- (b): The CIL Board has approved the model Fuel Supply Agreement for signing with the Thermal Power Stations, commissioned between 1.4.2009 and 31.12.2011 and recommended by the Central Electricity Authority/Ministry of Power. which are having long term Power Purchase Agreements (PPAs) with Distribution Companies (DISCOMS). As per this model FSA, there is a penalty @ 0.01% of the basic value for the quantity supplied below 80% of the commitment, which is to be effective after 3 years of signing of FSA.
- (c) & (d): The Children's Investment Fund (TCI) has argued that the existing Fuel Supply Agreement (FSA) system reduces the profits of CIL and does not pass on the benefit of low coal prices to the end consumers, and therefore, the FSA system should be abolished or FSA coal prices should be moved to the market levels.