

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

STARRED QUESTION NO:146

ANSWERED ON:22.08.2012

FUEL SUPPLY AGREEMENT

Panda Shri Baijayant;Venugopal Shri P.

Will the Minister of COAL be pleased to state:

(a) whether Coal India Limited (CIL) has proposed a new Fuel Supply Agreement (FSA) for supply of coal to the power developers including import of coal on behalf of the power producers to meet its commitments under FSA;

(b) if so, the details thereof and the follow up action taken thereon;

(c) whether the power companies have shown reluctance in signing the new agreements and if so, the details thereof and the reasons therefor;

(d) the steps taken/being taken by the Union Government to address the concerns of power developers; and

(e) whether there are differences of opinion between the power Public Sector Undertakings and CIL over the decision taken in April 2012 which envisages assured supply to the tune of 80 per cent with a penalty of 0.01 percent leviable after three years and if so, the details thereof and the follow-up action taken thereon?

Answer

MINISTER OF COAL (SHRI SRIPRAKASH JAISWAL)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No.146 for 22.8.2012

(a)&(b): As per the instructions of 17.2.2012 issued by the Ministry of Coal, Coal India Limited (CIL) is required to conclude Fuel Supply Agreement (FSA) with power stations that have been commissioned/would get commissioned after 1.4.2009 and on or before 31.3.2015 and are having long term Power Purchase Agreements (PPAs) with Distribution Companies (DISCOMS). The FSAs are to be valid for a period of 20 years, to be reviewed after every five years, with trigger level of 80% for levy of disincentive and 90% for levy of incentive. The model FSA has been finalized by CIL on the basis of these instructions and also contains the provision for supplying imported coal, if required, to meet the contractual obligation.

(c): As on 31.7.2012, 29 FSAs have been signed in the modified FSA model for annual contracted quantity of 30.83 Million Tonnes involving 8,376 MW capacity. There are some other power stations, who have expressed reservations on the modified model and have not signed FSA. The reluctance of such thermal power stations to sign FSA is mainly on account of the clauses relating to penalty structure and the force majeure conditions proposed in the modified model.

(d): While the process of addressing the concerns of the power project developers has been initiated, as a short term measure, Ministry of Coal in consultation with Ministry of Power has advised CIL to supply coal for 2012-13 under the short term Memorandum of Understanding (MOU) as per the allocations made by the Central Electricity Authority (CEA).

(e): Yes, Sir. The public sector power utilities have suggested that CIL may adopt FSA model, which was exclusively developed for the power plants commissioned before 31.3.2009, for the new units also with suitable modifications relating to Gross Calorific Value (GCV) and import. The suggestions for modifications in the FSA model, including the review of penalty structure and supply of imported coal, is presently being deliberated by the CIL Board.