

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:3706
ANSWERED ON:19.03.2015
PRICE POOLING MECHANISM FOR COAL
Shirole Shri Anil

Will the Minister of COAL be pleased to state:

- (a) whether the Government is unable to take a decision on implementation of the price pooling mechanism for coal;
- (b) If so, the reasons therefor;
- (c) whether the Government has constituted a Group of Ministers (GoMs) on pooling of coal prices and if so, the details thereof;
- (d) whether the GoMs has suggested any measures in this regard; and
- (e) if so, the details thereof and follow up action taken thereon?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF COAL, POWER AND NEW & RENEWABLE ENERGY (SHRI PIYUSH GOYAL)

(a)to(e): The proposal of pooling of price of imported coal with domestic coal was placed before the Cabinet Committee on Economic Affairs (CCEA) in 2013. No decision on implementation of price pooling mechanism was taken. However CCEA considered various options to augment coal supplies to the Thermal Power Plants (TPPs) in the country including the proposal of pooling of price of imported coal with domestic coal. The CCEA in their meeting held on 05.02.2013 directed that Minister of Coal and the Minister of State (I/C) of Ministry of Power would work out specific capacities/ quantities in consultation with the Minister of Finance and thereafter, Ministry of Coal would place an appropriate proposal before the CCEA. As directed by CCEA, the three Ministers deliberated on the matter and thereafter, the CCEA in its meeting held on 21.06.2013 approved the following:

(i)CIL to sign FSAs for a total capacity of about 78,000 MW, including tapering linkage cases as now identified, which are likely to be commissioned by 31.3.2015. MOC to issue directions to CIL to replace the identified list of 60,000MW power projects earlier sent vide letter dated 17.2.2012 by the revised list now provided by MOP vide their letter dated 27.5.2013.

(ii)Taking into account the overall domestic availability and the likely actual requirements of these power plants, FSAs be signed for the domestic coal quantity of 65%, 65%, 67% and 75% of ACQ for the remaining four years of the current Plan for the power plants having normal coal linkages. Cases of tapering linkage would get coal supplies as per the tapering linkage policy. Actual coal supplies would, however, be available when the required long-term PPAs are tied up.

(iii)To meet its balance FSA obligations towards the above categories, CIL may import coal and supply the same to the willing power plants on cost plus basis. Power plants may also directly import coal themselves, if they so opt. MOC to issue suitable instructions as per the decisions taken by CCEA.

(iv)The higher cost of imported coal to be considered for pass through as per the modalities suggested by CERC. MoC to issue suitable orders supplementing NCDP, indicating the reduced supply of domestic coal in the power sector during the remaining four years of the 12th Plan. Based on this, MoP will issue an appropriate advisory to CERC/SERCs, including modifications if any in the bidding guidelines. Based on that, the appropriate Commission shall decide the pass through of higher cost of imported coal/market fuel on a case to case basis based on the pleadings of the parties and provisions of the concerned PPA after hearing all the stakeholders. This would be applicable to the power plants mentioned at

(i) above which have long term PPAs and are supplied imported coal by CIL as well as those who opt to import coal themselves. The Committee further directed the coal may also be supplied to power plants of 4660 MW capacity and other similarly placed power plants that do not have any fuel linkage subject to the availability of coal and on the condition that such supplies do not adversely impact the availability of coal for the identified plants of 78,000 MW capacity as per approval accorded at paragraph

(i) above and other Letters of Assurance holders".

A Presidential directive was accordingly issued to Coal India Limited on 17.07.2013 for implementation of the CCEA decision.