GOVERNMENT OF INDIA
MINISTRY OF COAL
LOK SABHA
STARRED QUESTION NO.221
TO BE ANSWERED ON 03.01.2018

New Coal Allocation Policy

***221. SHRI ADHALRAO PATIL SHIVAJIRAO:**
DR. PRITAM GOPINATH MUNDE:

Will the Minister of COAL be pleased to state:

a. whether the Government has implemented/introduced new coal allocation policy-2017 for the power sector and if so, the details and the objectives thereof;

b. whether availability of domestic coal in the power plants has improved in the country during the last two years and if so, the extent to which it has improved;

c. whether the Government has decided/planned/started to substitute imported coal with domestic coal;

d. if so, the details thereof and the initiatives taken by the Government/Coal India Limited (CIL) in this regard during the last one year and the success achieved as a result thereof; and

e. whether CIL has started supplying domestic coal against the requirement of imported coal for power plants and if so, the details thereof?

ANSWER

MINISTER OF RAILWAYS AND COAL
(SHRI PIYUSH GOYAL)

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. 221 for answer on 03.01.2018 asked by Shri Adhalrao Patil Shivajirao and Dr. Pritam Gopinath Munde.

(a): Yes Madam. Ministry of Coal *vide* letter No. 23011/15/2016-CPD/CLD dated 22.05.2017 has issued a new and more Transparent Coal Allocation Policy for Power Sector, 2017 – 'SHAKTI' (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India). A copy of the policy guidelines dated 22.05.2017 is attached with the answer. The main objectives of this policy are to make coal available to all the Thermal Power Plants of the country in a transparent and objective manner and at the same time ensure that the benefits of linkage coal are transferred to the end consumers.

The main features of this policy are:

1. FSA to be signed with the existing LoA holders after ensuring that plants are commissioned, respective milestones met, all specified conditions of LoA fulfilled within specified timeframe, and nothing adverse is detected against the LoA holders,

2. To continue to supply coal to 68,000 MW capacity as per the decision of CCEA dated 21.06.2013 @75% of ACQ. The supply may be increased in future based on coal availability,

3. Actual coal supply allowed also under medium term PPAs to be concluded in future besides long term PPAs,

4. The pending applications for LoA need not be considered and may be closed.

5. Linkages may also be granted at the notified price to State/Central Gencos/their JVs.

6. Coal linkages to power producers/IPPs having already concluded long term PPAs based on domestic coal to be given on notified price to successful bidders. The basis of the bid being non-zero levellised value of discount on the tariff. The discount in tariff so quoted has to be passed on to the procurer, through a supplementary agreement between the developer and the procurer to be approved/adopted by the appropriate Regulatory Commission.

7. Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States/Discoms which may undertake tariff based competitive bidding for long-term and medium-term procurement of power and recommend grant of these linkages to successful bidders. Similarly, power requirement of group of States can be aggregated and successful bidder in tariff based competitive bidding may be recommended grant of earmarked linkage.

8. Linkages shall be granted for full normative quantity to Special Purpose Vehicle (SPV) of Ultra Mega Power Projects under Central Government initiative through tariff based competitive

9. Linkages to IPPs having PPA based on imported coal but without linkage shall be on the basis of a transparent auction mechanism.

10. Future coal linkage on auction basis for IPPs without PPAs that are either commissioned or to be commissioned.

(b):

Year	Receipt of domestic coal at power plants (in MT)	Increase in receipt of domestic coal as compared to last year (in %)
2013-14	418.1	
2014-15	450.3	7.70
2015-16	481.3	6.88
2016-17	494.9	2.82
2017-18 (Apr-Nov)	342.7	9.5 *

* In 2017-18 (April-Nov, 2017), the receipt has been 342.7 MT against 312.9 MT in the corresponding period of the last year, which is a growth of 9.5%.

(c) to (e): As per the current import policy, coal is kept under Open General License (OGL) and consumers are free to import coal from the source of their choice as per their contractual prices on payment of applicable duty. In view of the buoyant production and adequate availability of domestic coal, it has been an endeavor to reduce the import of coal by power plants and to substitute it with domestic coal supply. In this regard, Coal India Limited (CIL) has taken the following steps for promotion of substituting imported coal with indigenous coal

i. Rationalization of sources by part of coal supply coming from sources of higher grade coal,
ii. Offer of coal from various sources including higher grades were offered through various types of *e*Auction schemes including Special Forward *e*Auction for Power Sector
iii. Taking initiatives like flexible tenure of coal lifting, reductions of EMD and of floor price in coal auction for power sector,
iv. Sanction of coal linkages under SHAKTI policy.

As reported by CEA, there has been reduction of coal import by domestic coal based power plants from 37.2 MT in 2015-16 to 19.9 MT in 2016-17. In 2017-18 (till 30.11.2017), import by such power plants has been 11.07 MT against 14.53 MT during the same period in 2016-17. The coal import by imported coal based plants in 2017-18 (till 30.11.2017) has been 27.7 MT as against 30.3 MT during the same period in the last year, recording a reduction of 2.6 MT. CIL has offered domestic coal for substitution of import to many power plants within and above the Annual Contracted Quantity (ACQ). TANGEDCO, NTECL, Vallur and NTPL Tuticorin have already executed side agreements with Eastern Coalfields Limited (a subsidiary company of CIL) for supply on best effort basis of 2.5 MT, 1.0 MT and 1.0 MT coal respectively, over and above ACQ as import substitution.

However, the gap between demand and supply of coal cannot be bridged completely as there is insufficient domestic availability of coking coal and power plants designed on imported coal will continue to import coal for their production.

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IMMEDIATE

No. 23011/15/2016-CPD/CLD
Government of India
Ministry of Coal

Shastri Bhawan,
New Delhi, the 22" May, 2017

To

(i) Chairman-cum-Managing Director,
Coal India Limited,
Coal Bhawan, New Town, Rajarhat,
Kolkata-700156.

(ii) Chairman-cum-Managing Director,
SCCL, PB No. 18,
Khairatabad, Hyderabad,
Telangana.

Subject: Signing of Fuel Supply Agreement (FSA) with Letter of Assurance (LoA) holders of Thermal Power Plants- Fading Away of the existing LoA-FSA Regime and Introduction of a New More Transparent Coal Allocation Policy for Power Sector, 2017- SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India).

Sir,

The proposal of Coal linkages Allocation Policy for Power Sector has been under examination in this Ministry. With the approval of Cabinet Committee on Economic Affairs (CCEA), the following policy guidelines for allocation of Coal linkages to Power Sector have been decided:

(A) Under the old regime of LoA-FSA:

i. FSA may be signed with the pending LoA holders after ensuring that the plants are commissioned, respective milestones met, all specified conditions of the LoA fulfilled within specified timeframe and where nothing adverse is detected against the LoA holders. The outer time limit within which the power plant of LoA holders must be commissioned for consideration of FSA shall be 31.03.2022, failing which LoA would stand cancelled. Coal supply to these capacities may be at 75% of ACCT. The coal supply to these capacities may be increased in future based on coal availability.

ii. The 583 pending applications for LoA need not be considered and may be closed.

iii. The capacities totaling about 68,000 MW as per the decision of CCEA dated 21.06.2013 would continue to get coal at 75% of ACQ even beyond 31.03.2017. The coal supply to these capacities may be increased in future based on coal availability.

iv. About 19,000 MW capacities out of the 68,000 MW could not be commissioned by 31.03.2015. Coal supply to these capacities may be allowed at 75% of ACQ against FSA provided these plants are commissioned within 31.03.2022. The coal supply to these capacities may be increased in future based on coal availability.

v. Actual coal supply to power plants shall be to the extent of long-term PPAs with DISCOM/State Designated Agencies (SDAs) and medium term PPAs to be concluded in future against bids to be invited by DISCOMs as per bidding guidelines issued by Ministry of Power.

With these, the old regime of LoA-FSA would come to finality and fade away.

(B) The following shall be considered under a New More Transparent Coal Allocation Policy for Power Sector, 2017-SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India):

(i) CIL/SCCL may grant Coal linkages for Central Government and State Government Gencos at the notified price of CIL/SCCL. Similarly, coal linkages may be granted for JVs formed between or within CPSUs and State Govt./PSUs. The recommendations shall be made by Ministry of Power.

(ii) CIL/SCCL may grant coal linkages on notified price on auction basis for power producers/IPPs having already concluded long term PPAs (both under section 62 and section 63 of The Electricity Act, 2003) based on domestic coal. Power producers/IPPs, participating in auction will bid for discount on the tariff (in paise/unit). Bid Evaluation Criteria shall be the non-zero Levellised Value of the discount (applying a pre-notified discount rate) quoted by the bidders on the existing tariff for each year of the balance period of the PPA. Ministry of Coal may, in consultation with Ministry of Power, work out a methodology on normative basis to be used in the bidding process for allocation of coal linkages to IPPs with PPAs.

(a) The discount by generating companies would be adjusted from the gross amount of bill at the time of billing, i.e., the original bill shall be raised as per the terms and conditions of the PPA and the discount would be reduced from the gross amount of the bill. The discount shall be computed with reference to scheduled generation from linkage coal supplied under this auction. This would be applicable to both the PPAs contracted under Section 62 as well as Section 63 of the Electricity Act, 2003.

(b) Accordingly, PPA may be amended or supplemented mutually between the developer and the procurer to pass on the discount to the procurer and the approval of the Appropriate Commission obtained, as per the provisions of the PPA or Regulations.

(c) FSA shall be signed with the successful bidders after the terms and conditions for signing of FSA are met and the Appropriate Commission has approved the amendment or supplement to the PPA.

(iii) CIL/SCCL may grant future coal linkages on auction basis for power producers/IPPs without PPAs that are either commissioned or to be commissioned. All such power producers/lPPs may participate in this auction and bid for premium above the notified price of the coal company. The methodology for bidding of linkages shall be similar to the bidding methodology in the policy on auction of linkages of Non-Regulated Sector dated 15.02.2016. Coal drawal will be permitted only against valid long term and medium term PPA with Discoms/State Designated Agencies (SDAs), which the successful bidder shall be required to procure and submit within two years of completion of auction process.

(a) In case of the commissioned capacities, FSA shall be signed with the successful bidders after completion of the auction process provided that the standard terms and conditions for signing of FSA are met. In case of others, a Letter of Assurance (LoA) may be issued by CIL/SCCL to the successful bidder and FSA shall be signed after commissioning of the unit and fulfilling other conditions of the LoA.

(b) Further, if the power producer/IPP, does not start drawing the coal within two years of submission of the PPA, the FSA or the LoA, as the case may be, shall stand terminated.

(iv) Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States. States may indicate these linkages to Discoms/SDAs.

I. The States/Discoms may, based on such linkages, undertake tariff based competitive bidding for long-term and medium-term procurement of power as per the guidelines issued by Ministry of Power and may recommend grant of these linkages to successful bidders. In case of the commissioned capacities, FSA shall be signed with the successful bidder after completion of the auction process. In case of the likely to be commissioned capacities, a Letter of Assurance may be issued by CIL/SCCL to the successful bidder and FSA shall be signed on commissioning of the unit. The successful bidder shall be required to meet the conditions specified in the Letter of Assurance and FSA. The existing FSA/LoA holders may also participate in the competitive bidding for PPA and, if successful, shall surrender proportionate quantity of the FSA/LoA for the corresponding tenure; or

II. The States/Discoms may recommend grant of the earmarked linkages to capacities that are covered under exceptions and proviso clauses of para 5.2 of the Tariff Policy dated 28.01.2016. A Letter of Assurance may be issued by CIL/SCCL to such capacities and FSA shall be signed on commissioning of the unit.

Provided
(a) The priority between (iv) I and (iv) II above will be decided by the State Government concerned considering its public interest and based on its requirements.

(b) The quantity remaining unutilized for 2 years continuously shall lapse. Detailed policy guidelines for sub para (iv) shall be formulated by Ministry of Power.

(v) Power requirement of group of States can also be aggregated and procurement of such aggregated power can be made by an agency designated by Ministry of Power or authorized by such States on the basis of tariff based bidding. Coal linkages will be earmarked for such agencies by pre-declaring the availability of coal linkage with description, based on which such agency will undertake tariff based competitive bidding for long-term and medium-term procurement of power and recommend grant of these linkages to successful bidders. The methodology in this regard shall be formulated by Ministry of Power.

(vi) Linkages shall be granted for full normative quantity to Special Purpose Vehicle (SPV) incorporated by nominated agency for setting up Ultra Mega Power Projects (UMPP) under Central Government initiative through tariff based competitive bidding under the guidelines for determination of tariff, on the recommendation of Ministry of Power.

(vii) Ministry of Coal in consultation with Ministry of Power may, subject to the availability of coal and the condition that such supply does not adversely impact the availability of coal for plants based on domestic coal, formulate a detailed methodology of a transparent bidding process for allocating coal linkages to IPPs, having PPAs based on imported coal, with full pass through of cost saving to consumers. Further, the successful bidder would not be allowed to claim any upward revision in the tariff on account of such coal linkages.

2. Since the Competent Authority has approved the proposal of Coal linkages Allocation Policy for Power Sector as mentioned in para 1 above, policy guidelines are circulated to all concerned for further action. The action taken report shall be sent to this Ministry from time to time.

(A. K. Das)
Under Secretary to the Govt. of India

Copy to:
1. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
2. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
3. CEO, NITI Aayog, Yojana Bhawan, New Delhi.
4. Chairman, Railway Board, Rail Bhawan, New Delhi
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi
6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi
8. Secretary, Ministry of Chemicals and Fertilizers, Department of Fertilizers
9. Secretary, Ministry of Mines, Shastri Bhawan, New Delhi
10. Secretary, Department of Financial Services, Jeevan Deep Building New Delhi. 11. Prime Minister's Office, (Kind Attn. - Shri A. K. Sharma, Joint Secretary), South Block, New Delhi.
12. Cabinet Secretariat (Kind Attn. — Shri S. G. P. Verghese, Director), Rashtrapati Bhawan, New Delhi.
13. Director (Marketing), Coal India Ltd. Kolkata, Coal Bhawan, New Town, Rojarhat, Kolkata-700156.
14. ED/Coal Movement, SCCL, PB No. 18, Red Hills, Khairatabad, Hyderabad, Telengana
15. CMD, CMPDI, Gondwana Place, Kanke Road, Ranchi, Jharkhand.
16. Chairman, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.

Copy also to:

Chief Secretaries of all States/UTs

Copy for information to:
1. OSD to MoS(I/C), Coal, 2.PS to MoS (VC), Coal, power & N&RE, 3. PSO to Secretary, Ministry of Coal, 4.PPS to Additional Secretary, Ministry of Coal, 5. Sr. PPS to Joint Secretary (RPG), Ministry of Coal, 6. PS to JS(VB), Ministry of Coal, 7. PPS to JS (RKS), Ministry of Coal, 8.PS to JS & FA, Ministry of Coal, 9. PS to Adviser (Projects), Ministry of Coal, 10. PS to Economic Adviser, Ministry of Coal, 11.PS to Director, CPD, Ministry of Coal, 12. Shri G.K. Vashishtha, GM(S&M), CIL, Laxmi Nagar, Delhi.

Copy to Director, NIC, M/o Coal with the request to place the same on the website of this Ministry.

(A. K. Das)
Under Secretary to the Govt. of India