

GOVERNMENT OF INDIA  
MINISTRY OF COAL  
**LOK SABHA**  
**UNSTARRED QUESTION NO - 524**  
TO BE ANSWERED ON 05.02.2020

**Revamping of Coal Auction Process**

524. SHRI G.M. SIDDESHWAR:  
SHRI MANNE SRINIVAS REDDY:

Will the Minister of COAL be pleased to state:

- (a) whether it has come to the notice of the Ministry the problems pertaining to coal bidding, not permitting part of output of coal in the market, issues with bank guarantee etc. and if so, the details thereof;
- (b) whether Pratyush Sinha Committee has recently submitted a report for revamping the coal auction process in the country;
- (c) if so, the details of the recommendations made by the Committee; and
- (d) the details of action taken by the Government on each of the recommendations?

**ANSWER**

MINISTER OF PARLIAMENTARY AFFAIRS, COAL AND MINES  
(SHRI PRALHAD JOSHI)

(a) to (d): A High Power Expert Committee (HPEC) under the Chairmanship of Shri Pratyush Sinha was constituted on 18.12.2017 to evaluate criteria in the present system and study the challenges and efficacies of the fixed bid system for coal auction and prepare a report which highlights whether the bid criteria needs to be changed for desired improvement in the coal sector. The Committee submitted its report to Government on 12.07.2018. A copy of the Action Taken by the Government on recommendations of HPEC is at Annexure.

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Shastri Bhawan, New Delhi  
Dated the 12<sup>th</sup> October, 2018

**OFFICE MEMORANDUM**

**Subject: Direction of the Central Government to the Nominated Authority under Section 6 (7) of the Coal Mines (Special Provisions) Act, 2015 read with Rule 8 (2) (c) & (d) of the Coal Mines (Special Provisions) Rules, 2014**

The undersigned is directed to say that High Power Expert Committee (HPEC) under the Chairmanship of Shri Pratyush Sinha, former CVC constituted to examine efficacy and challenges in the current bidding system and suggest changes for conducting auction of coal mines in future has submitted its Report on the efficacy and challenges in the current bidding system and Recommendations to the Ministry on 12.07.2018.

2. After detailed discussion on the recommendations of HPEC and the Committee of Secretaries (CoS) recommendations thereon, following has been decided with the approval of the Competent Authority:

**2.1 Gradual shift to commercial mining/sale of coal**

- (i) To issue NIT for end use/captive consumption for auction of 19 coal mines (13 for NRS and 6 for Iron & Steel) as already identified.
- (ii) Continue with the process of allotment of 9 coal mines to PSUs (7 for end use Power and 2 for sale of coal), for which NIA has already been issued and offers received.
- (iii) In these allocations (Allotment and Auction), the terms and conditions as contained in this O.M. will also be applicable.
- (iv) Decision on other points will be taken separately in due course.

**2.2 Bid Process**

In order to avoid cartelization and to encourage competition during tender process, following is to be considered for short listing of Technically Qualified Bidders(TQBs) for Final Price Offer(FPO) round:-

- (i) If there are 3 TQBs in IPO round, no TQB may be eliminated,
- (ii) If there are 4 to 6 TQBs in IPO round, only one i.e. the last ranked TQB may be eliminated,
- (iii) If there are 7 or more TQBs in IPO round, one third of TQBs in IPO round (who ranked last), subject to a maximum of 3, may be eliminated. While calculating the one third, fractions will be ignored.

### **2.3 Eligibility Criteria**

The existing eligibility criteria for sale of coal as well as for end use/captive consumption may continue.

### **2.4 Number of Minimum Bidders**

In case of less than 3 Technically Qualified Bidders, the first attempt of auction shall be annulled and the second attempt of auction may be initiated with the approval of Competent Authority in the following manner:-

(a) De novo with a separate set of terms and conditions and floor price as it may be deemed fit (on the lines of provisions of Mineral (Auction) Rules, as amended vide 2017 Rules notified by Ministry of Mines).

or

(b) With the same terms and conditions as in the first annulled attempt of auction, and with the highest Initial Price Offer of TQBs, if any, in the first annulled attempt of auction as the floor price for the second attempt of auction. The bidding shall continue to the 2<sup>nd</sup> round even in case the number of TQBs is less than 3 (on the lines of Mineral (Auction) Rules, as amended vide 2017 Rules notified by Ministry of Mines).

(c) However, in case of only one bidder in the second attempt, the auction process will again be annulled and with the approval of Competent Authority such coal mine shall be considered for

i. Auction de novo with a separate set of terms and conditions and floor price as it may be deemed fit (on the lines of provisions of Mineral (Auction) Rules, as amended vide 2017 Rules notified by Ministry of Mines)

Or

ii. Allotment to State / Central PSU or to CIL as per extant provisions of relevant Act and Rules.

### **2.5 Flexibility in Production**

(a) For sale of coal, existing conditions as approved by CCEA may continue.

(b) For specified end uses – the allocatee to produce coal not below 80% of scheduled production in a year in opencast mine (70% in case of underground mine) and not less than 90% of scheduled production in any five year block in opencast mine (80% in case of underground mine).

### **2.6 Definition of Captive Use – Utilization of coal by the Allocatee.**

In case of coal mines earmarked for specified end uses or own consumption, the allocatee is mandated to utilize a minimum of 75%

of its actual production (ROM basis) in specified end use plants and allowed to sell upto 25% in open market. No additional premium will be charged on such sale in the open market.

## **2.7 Exit Clause**

The existing provisions of Exit Clause with penalty and forfeiture of Performance Bank Guarantee and no compensation may continue.

## **2.8 Involvement of Respective State Governments in the development of coal mines**

The States will continue to get involved at various stages of development and monitoring for speedy operationalization of allocated blocks in the form of joint review mechanism as is existing presently.

## **2.9 Calculation of Performance Security**

Performance Bank Guarantee may be calculated which is equal to the estimated amount payable against royalty and final bid price corresponding to the following peak rated capacity (PRC) of the mine:-

(a) For sale of coal:

Auction: 70% of the PRC

Allotment: 80% of the PRC

(b) For specified end-uses:

Auction / Allotment: 90% of PRC in opencast mines (80% for underground mines).

## **2.10 Relaxation of Efficiency Parameters.**

The Efficiency Parameters to be followed is as per attached **Annexure**. In *bona fide* cases of delays not attributable to the allocatee and based on the recommendation of the Scrutiny Committee, a grace period of maximum 30% for each milestone may be allowed subject to the condition that overall grace period shall not exceed 15% of the time granted for the last milestone of development.

## **2.11 Single Window**

The process of approvals and clearances may be simplified and expedited in consultation with the concerned Ministries / States to the extent possible.

## **2.12 Cogeneration as Specified End Use**

Necessary action to notify Cogeneration as specified end use will be taken in the Ministry of Coal (MoC).

## **2.13 Publishing the mine data in public domain for some time.**

Mine Summary of 71 mines have already been published. On similar lines, Mine Summary of remaining mines may also be put up on website in due course, as and when these become available.

#### **2.14 Independent body to decide on the penalty and disputes:-**

The Nominated Authority shall continue to perform such statutory/other functions in accordance with the Acts / Rules and instructions issued from time to time.

#### **2.15 Auction of coal mines for specified end-use “washing of coal obtained from a mine”**

Considering that washing of coal is a specified end use under the Act / Rules, keeping in view the recommendations of HPEC/CoS, necessary action in this regard will be taken by the MoC to formulate a proposal for obtaining approval of the Competent Authority.

#### **2.16 Compensation consequent to termination of CMDPA**

The existing provisions may continue

#### **2.17 Intrinsic value and Upfront amount**

#### **2.18 Revenue sharing; CIL notified price/domestic index**

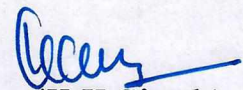
#### **2.19 Definition of Captive Use: (b) Utilization of coal in holding company**

#### **2.20 Mixed use as end use**

In respect of recommendations at Sl. No. 2.17, 2.18, 2.19 and 2.20, a Group chaired by Additional Secretary (Coal) is being formed to submit a definite proposal with all relevant details, which would then be submitted to Competent Authority for decision.

3. Accordingly, in pursuance of Section 6 (7) of the Coal Mines (Special Provisions) Act, 2015 read with Rule 8 (2) (c) & (d) of the Coal Mines (Special Provisions) Rules, 2014 and with the approval of the competent authority, Nominated Authority is hereby directed to note the above decisions and take necessary action accordingly.

Encl: As above



(N.K.Singh)

Deputy Secretary to the Govt. of India

Tel. 23384104

To

The Nominated Authority,  
Ministry of Coal

Copy also for information to:-

1. PS to Minister of Railways and Coal
2. PS to MoS, Coal
3. PSO to Secretary (Coal)/PPS to AS (Coal)
4. PPS to JS (RKS)/PPS to JS (BPP)
5. Director (Technical), Ministry of Coal
6. Director (CLD), Ministry of Coal

**EFFICIENCY PARAMETERS (WITH PROSPECTING)**

(With Forest Land)

Milestone	Completion time from Date of Allotment (Months)	Activity	Percentage of Performance Security to be appropriated	Applicability Criteria
Prospecting Licence	3	MS-1		
Completion of Drilling/ Exploration	11			
Preparation of Geological Report (GR)	15		5	
<b>Events after preparation of GR</b>				
Mining Lease Application	18	MS-2		
Submission of Mining Plan	19			
Approval of Mining Plan/Project Report	21		16	
Application of Previous approval	22	MS-3A		
Forest Clearance Application	22			
Environment Clearance Application	23			
Previous Approval	23	MS-3B		
Forestry Clearance(FC)-stage 1	33		7	
Forestry Clearance(FC)-stage 2	39		6	
Wild life Clearance	39	MS-4		
Approval under PESA	39			
Environment Clearance (EC)	39		13	
Approval for Nallah /River Diversion	45	MS-5		
Approval for diversion of Power line/Rail/Road	45			
Permission to draw Water	45			
Permission to draw Power	45			
Consent to Establish /Operate	51			
Grant of Mining Lease or Notification under section 11 of CBA Act, 1957, as applicable	55		15	
Land Acquisition	60	MS-6		
possession of land and R&R to reach rated capacity as per approved mining plan	60		10	
Intimation to DGMS for Mine opening	62	MS-7		
Approval for use of Explosive & Licence for Storage of Petroleum	62			
Permission under Factories Act, 1948	62			
Permission for use of Radio Frequency Communication System	62			
Labour related Permissions	62			
Escrow Account	62			
Application for Opening permission	63			
Mine Opening Permission	66		12	
Schedule of production/ reaching rated capacity as per the approved mining Plan	At least 90% of the Annual Schedule production/ reaching rated capacity as per approved mining plan in case of Opencast mine and atleast 80% of the annual scheduled production/ rated production capacity as per approved mining plan for underground mines	MS-8	16	1. The appropriation of performance security will be applicable annually on the basis of actual production in the year with respect to the production scheduled as per the approved mining plan. 2. For this purpose, year-wise percentage of performance security will be calculated by equally dividing this percentage (16%) amongst the years from the year of start of production to the year of achievement of peak rated production capacity as per the production schedule of the approved mining plan.
<b>Total</b>			<b>100</b>	

**F.No.13011/4/2018-CBA2**

**Government of India**

**Ministry of Coal**

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**Shastri Bhawan, New Delhi**

**Dated the 7<sup>th</sup> March, 2019**

**ORDER**

**Subject: Methodology for allowing allocatees of coal mines for specified end use or own consumption to sell upto 25% of actual production on ROM basis in open market under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957.**

The undersigned is directed to refer to provisions of the Coal Mines (Special Provisions) Act, 2015, the Rules framed thereunder and the methodology dated 26.12.2014 for allocation of coal mines by the Government for specified end-uses viz. for Power (regulated sector) and for Non-Regulated Sector [Cement, Iron & Steel and Captive Power Production clubbed together as NRS].

2. In addition to the provisions contained in the methodology dated 26.12.2014 for specified end uses, it has been decided to allow future allocatees of coal mines for specified end use or own consumption to utilize a minimum of 75% of actual production (ROM basis) in specified end use plants and to sell upto 25% of actual production (on ROM basis) in open market with payment of additional premium on such sale as mentioned in para 3 below:

**3. Definition of Captive Use - Utilization of coal by the Allocatee.**

3.1 In case of coal mines earmarked for specified end uses or own consumption, the allocatees are mandated to utilize a minimum of 75% of its actual production (ROM basis) in specified end use plants and are allowed to sell upto 25% in open market. In case of auctions, the successful bidder shall be required to pay an additional premium of 15% of its final bid price on per tonne basis, for the actual quantity of coal sold in open market. The additional premium will be over and above the final bid price. In case of allotments, the successful allottee shall be required to pay an additional reserve price of 15% of the Reserve Price, for the actual quantity of coal sold in open market. The additional reserve price will be over and above the Reserve Price.

3.2 If due to maintenance or shutdown or such other unavoidable reasons, beyond the control of allocatee, during any part of the year, the allocatee is not able to use a minimum of 75% of actual production (ROM basis) in specified end use plant or own consumption, any excess coal out of such 75% of actual production will have to be mandatorily sold by the allocatee



to CIL at CIL notified price less 15% of such CIL notified price as per existing conditions.

3.3 This would be applicable to auction of coal mines under the 6th and 7th tranches for which NIT has been floated on 25.10.2018 and for allotment of mines under the 4th and 5th tranches for which NIA was floated on 11.06.2018 as well as future allocations (auction/allotment).

4. The provisions contained in Para 3 would be applicable to coal mines to be allocated under Coal Mines (Special Provisions) Act, 2015, as well as for allocation of coal mines under Mines and Minerals (Development & Regulation) Act, 1957.

5. Para 2.6 of O.M. dated 12.10.2018 stands modified to the extent as indicated in para 3 above.

**(Rishan Rynthiang)**

**Under Secretary to the Government of India**

**Tel. No. 23073936**

To,

1. Nominated Authority, MoC
2. JS (CBA-II), MoC
3. JS (CBA-I), MoC
4. DS (CBA-II), MoC
5. DS (NA), MoC
6. DS (CBA-I), MoC

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