

**F.No. 13011/3/2017-CBA2**  
**Government of India**  
**Ministry of Coal**

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Shastri Bhawan, New Delhi  
Dated the 22<sup>nd</sup> September, 2017

**OFFICE MEMORANDUM**

**Subject: Methodology to provide the coal block allottee PSUs of Power Sector with some flexibility in utilization of coal extracted from the coal mines allotted under the Coal Mines (Special Provisions) Act, 2015 for optimum utilization of coal mine for the same end uses in the public interest and to achieve cost efficiencies**

The undersigned is directed to refer to the subject mentioned above and to say that an Inter-Ministerial Committee (IMC) has been constituted under the chairmanship of Additional Secretary (Coal) to devise methodology to provide the coal block allottee PSUs with some flexibility in utilization of coal extracted from the coal mines allotted under the Coal Mines (Special Provisions) Act, 2015 {CM(SP) Act, 2015} for optimum utilization of coal mine for the same end uses in the public interest and to achieve cost efficiencies. The 1st meeting of IMC was held on 07.08.2017 at 3:00 PM in the conference room of Ministry of Coal. IMC recommended that to start with, methodology for arrangement between two allottee PSUs which have been allotted coal mines under the provisions of CM(SP) Act, 2015 would be considered.

2. In view of the methodology deliberated by IMC in its first meeting and comments of Ministry of Power received vide No. FU-17/2017-IPC dated 30.08.2017 thereon, the following methodology has been approved by this Ministry:

a. The arrangement (s) / agreements (s) shall be in accordance with Section 20 (1) of the Coal Mines (Special Provisions) Act, 2015 read with Rules 19 of the Coal Mines (Special Provisions) Rules, 2014.

b. The present methodology has been formulated for arrangement (s)/ agreements (s) that may be entered between a PSU (hereinafter referred to as "the PSU") which has been allotted coal mine(s) under the provisions of CM (SP) Act, 2015 on the one hand and "other PSU" which has either been allotted coal mine (s) or granted coal linkage (s) for same end uses on the other. The scope of such arrangement/agreement may include transfer of coal by the PSU to other PSU in lieu of coal or power generated from such coal.

c. Arrangement for optimum utilization of coal mine with a company which is not a successful bidder or allottee or has not been granted

coal linkage(s) is not allowed as such an arrangement is not permissible as per the CM(SP) Act, 2015.

d. The agreement(s)/arrangement(s) as provided in the Section 20(1) of the CM (SP) Act, 2015 should be for optimum utilization of the coal mine, for the same end uses, in the public interest and to achieve cost efficiencies. The overall objective should be to reduce the cost of power.

e. To achieve transparency, the particulars mentioned in Rule 19(2) of CMSP Rules, 2014 should be displayed on the website of PSU allottee.

f. Before making an application to the Ministry of Coal, both the parties to the arrangement should categorically certify the following regarding the proposed arrangements:

- i. Such arrangement results in optimum utilisation of coal mine.
- ii. Such arrangement achieves cost efficiencies.
- iii. Such arrangement is in public interest.

g. The application for the proposed arrangement (s)/ agreement (s) shall contain full justification, calculations and the basis of arriving at the conclusions in above para. The relevant calculations showing the reduction in cost of power before and after the proposed agreement (s)/ arrangement (s) should also be enclosed. The proposal so received would be examined by a Technical Committee (TC) that may be constituted or a Transaction Advisor (TA) that may be appointed for the purpose. The report containing recommendations of TC/TA shall be sent to MoP for comments. Upon receiving the comments/recommendation from MoP, MoC shall take a decision on the proposed arrangement (s)/ agreement (s).

h. The parties would be required to furnish such additional information as may be required.

i. Since the arrangement (s)/ agreement (s) under Section 20(1) are to be in public interest, these should result in reduction in cost of power.

j. CERC/SERC while determining tariff, shall ensure that the benefits of such arrangements are passed on to the consumers.

k. In case of coal being transferred in lieu of power generated from such coal,

- i. all the power generated from the transferred coal under the arrangement(s)/agreement (s) shall be supplied to "the PSU" or its beneficiary Discom(s) as the first right of "the PSU " provided that any power not requisitioned by the PSU or its beneficiary Discom(s)

) shall be treated as per the provisions of the Tariff Policy notified by Ministry of Power under section 3 of the Electricity Act, 2003 or as may be notified by Ministry of Power.

ii. The landed cost of power generated and delivered to the "the PSU" (or its beneficiary Discom) transferring coal shall include corresponding fixed charges, variable charges and transmission charges at the periphery of the beneficiary Discom of "the PSU" transferring coal and should be cheaper than the variable charge for generation from the existing options of using coal in plant(s) owned by "the PSU". This condition would be applicable where the coal proposed to be transferred is being utilized in an existing plant by "the PSU" transferring coal and such transfer of coal would result into backing down the generation from that plant. The condition may not be insisted upon where the PSU transfers the coal which is more than normative requirement of linked EUPs.

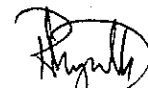
l. Except in accordance with the arrangement/agreement approved under this policy or in accordance with the respective allotment agreement /CMDPA, no trading or sale of coal shall be allowed since coal mines have been allotted for specified end use.

m. Monitoring of the agreement(s)/arrangement(s) with regard to coal production would be done by CCO, with regard to power generated and delivered would be done by CEA, and with regard to tariffs by concerned regulators.

n. The arrangements should be worked out in consultation with the Railways, if it involves transport of coal by rail mode.

o. An inter-ministerial sub-group consisting of representatives from Ministry of Power, Ministry of Coal, Ministry of Railways, CEA and POSOCO would be constituted to look into various operational issues arising during implementation of this scheme. The sub-group would meet at least quarterly and the methodology will be reviewed periodically for amendments, if any, based on the experience gained during the process.

3. This is issued with the approval of the Competent Authority.



(Rishan Rytathiang)

Under Secretary to the Government of India

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To:

1. Additional Secretary, Ministry of Coal, Shastri Bhawan, New Delhi
2. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi
3. Chairman, Railway Board, Ministry of Railways, Rail Bhawan, New Delhi
4. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi
5. Secretary, Department of Legal Affairs, Ministry of Law and Justice, Shastri Bhawan, New Delhi
6. Nominated Authority, Ministry of Coal, Shastri Bhawan, New Delhi
7. Joint Secretary (RKS), Ministry of Coal, Shastri Bhawan, New Delhi
8. Chairperson, CERC, 3rd & 4th Floor, Chanderlok Building, 36, Janpath, New Delhi.
9. Member (Thermal), CEA, SewaBhawan, New Delhi
10. CMD, SCCL
11. CMD, Coal India Limited
12. Director (CBA-II), Ministry of Coal

Copy for information to:

1. OSD to Minister of Coal and Railways
2. PSO to Secretary (Coal)
3. JS (VB), MoC
4. JS&FA, MoC
5. TD (NIC), M/o Coal - for uploading on website of Ministry of Coal.