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COAL PRODUCTION, MARKETING & DISTRIBUTION

7.1 COAL PRODUCTION

7.1.1 Through sustained programme of investment and greater thrust on application of modern technologies, it has been possible to raise the production of coal from a level of about 70 million tonnes at the time of nationalization of coal mines in early 1970's to 365.09 million tonnes (All India - including Meghalaya) in 2009-10 (up to December 2009).

7.1.2 Coal India limited and its subsidiaries are the major producers of coal. 295.52 million tonnes of coal was produced by Coal India Ltd. and its subsidiaries during 2009-10 (up to December 2009) as against the production of 275.75 million tonnes during the same period of the year 2008-09 showing a growth of 7.2%.

7.1.3 Singareni Collieries Company Limited (SCCL) is the main source for supply of coal to the southern region. The company produced 36.55 million tonnes of coal during 2009-10 (up to December 2009) against 32.70 million tonnes during the corresponding period last year. Small

quantities of coal are also produced by TISCO, IISCO, DVC and others.

7.2 COAL DISTRIBUTION AND MARKETING

The Marketing Division of CIL coordinates marketing activities for all its subsidiaries. CIL has set up Regional Sales Offices and Sub-Sales Offices at selected places in the country to cater to the needs of the consuming sectors in various regions.

7.3 Linkage Committees

7.3.1 Two types of linkage committees function for deciding the long term and short term availability of coal and distribution to the consumers belonging to Cement, Power & Steel including Sponge Iron Units.

- (i) Standing Linkage Committee (Long - term)
- (ii) Standing Linkage Committee (Short - term)

7.3.2 Standing Linkage Committee (Long-term) for Power, Cement and Sponge Iron considers requirement of coal of

consumers at the planning stage and links the requirement in the long-term perspective from a rational source after examining factors like quantity and quality required, time frame, location of the consuming plants, transport logistics, development plan for the coal mine etc.

7.3.3 The Long-term linkage Committee is presently being Chaired by Additional Secretary, Ministry of Coal and has representatives from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Ministry of Railways, Department of Shipping, Central Electricity Authority, Coal India Limited, CMPDIL and Singareni Collieries Company Limited (SCCL).

7.3.4 However, with the introduction of NCDP and FSA regime in replacement of linkage system, Standing Linkage Committee (Short-term), which used to allocate coal to consumers of Power and Cement Sector on quarterly basis taking into account coal production and logistic involved therein are no longer making any allocation.

7.3.5 Linkages of coal to thermal power stations used to be allocated by Standing Linkage Committee (ST) on quarterly basis keeping in view the recommendation made by the Central Electricity Authority (CEA). The CEA recommendations were

based on the power generation programme, ground stocks with individual power houses etc.

7.3.6 New Coal distribution Policy (NCDP) has introduced the concept of "Letter of Assurance" (LOA), which provides for assured supply of coal to developers, provided they meet stipulated milestones. Once the milestones as stipulated in the LoA are met by the developers, LoA holders would be entitled to enter into Fuel Supply Agreements (FSAs) with the coal companies for long-term supply of coal. The quantity of coal to be supplied along with other commercial terms and conditions are covered in the FSA itself.

7.4 ALLOCATION OF COAL TO POWER, CEMENT AND STEEL PLANTS

7.4.1 The allocation of coking coal to steel plants was earlier made by the Coal Controller. However, after deregulation of coking coal, the supplies of coking coal are being made by the coal companies themselves on the basis of linkages established by the SLC (LT) or on the basis of their existing commitments.

7.4.2 During the year 2009-10 (up to December 2009), CIL and SCCL supplied the following quantities of coal to various consumers (Figures in Million Tonnes):-

COAL INDIA LIMITED

Sector	Target Offtake	Actual Offtake	Supply % against Target
Power (Utilities) *	224.11	217.71	97.1
Sponge Iron	10.57	9.19	86.9
Steel**	8.04	6.14	76.4
Cement including CPP	5.72	7.10	124.2
Fertilizer	2.13	1.83	86.1
Others	62.95	59.15	94.0
Colly Cons	0.51	0.50	98.5
Total	314.03	301.62	96.0

* includes coking and non-coking coal feed to washery and Bina Deshaling Plant for beneficiation

** includes coking coal feed to washeries, direct feed, blendable to steel plants, coke ovens, private cokeries and NLW coal to cokeries.



SINGARANI COLLIERIES COMPANY LIMITED

Sector	April,2009 December, 2009	April, 2008 - - December, 2008	% growth over previous year
Power (Utilities) *	224.11	217.71	97.1
Sponge Iron	10.57	9.19	86.9
Steel**	8.04	6.14	76.4
Cement including CPP	5.72	7.10	124.2
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7.5 POWER HOUSES

Off-take of coal by thermal power stations during the year 2009-10 (April-Dec) from CIL was 217.71 million tones registering 97.1 % materialization in target. Compared to same period last year, dispatch has also been up by 2.36 mill tonnes which in terms of % comes to 1.10. %

7.6 CEMENT PLANTS

The dispatch to cement plants including their captive power plants, from CIL during 2009-10 (April-Dec) was 0.71 million tones as against 0.67 million tones during the same period last year.

7.7 MODES OF TRANSPORT

Important modes of transport of coal and coal products in CIL are Railways, Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of coal

and coal product during the current fiscal [Apr 09- Dec09] has been approximately as under :

Sl	Modes of Transport	Share
1	Railways (including Rail -cum-Sea)	51
2	Road	24
3	MGR	21
4	Belt - Conveyors/ Ropeways	4



A broad view of a coal face with Large Dragline in over burden removal operation.

7.8 PROGRESS MADE UNDER NEW COAL DISTRIBUTION POLICY

7.8.1 Prior to introduction of New Coal Distribution Policy in October, 2007, the

consumers were broadly classified in two categories viz Core and Non Core Sector. The basis for earlier classifying consumers was solely based on their role in economic development. However, the erstwhile classification of the consumers under New Coal Distribution Policy has been dispensed with. This policy was formulated in view of the direction of the Apex Court and came in force w.e.f 18.10.2007.

7.8.2 Under this Policy each sector/consumers have been treated on merit, keeping in view the regulatory provisions applicable thereto.

7.8.3 Earlier Standing Linkage Committee (Long Term), inter alia, granted long-term coal linkage to power utilities, IPP, CPP and Cement units with firm commitment of the coal quantity and the identified sources of coal supplies. However, it was observed that many of the power projects, which were granted long-term coal linkage, did not come up as planned resulting in preemption of coal linkage. Therefore, under New Coal distribution Policy it was decided to introduce the concept of "Letter of Assurance" (LOA), which provides for assured supply of coal to developers, provided they meet stipulated milestones. Once the milestones as stipulated in the LoA are met by the developers, LoA holders would be entitled to enter into Fuel Supply

Agreements (FSAs) for long-term supply of coal.

7.8.4 Progress made by CIL/SCCL in implementing the provisions of NCDP 2007 is summarized below:

COAL INDIA LIMITED

- (a) Classification of consumers into core and non-core sector has been dispensed with
- (b) Linkage system has been replaced with Fuel Supply Agreement (FSA) and accordingly out of 1216 existing valid linked consumers, 1182 consumers have already executed FSA with the coal companies in categories other than Power Utilities. Sector-wise position of FSA under NCDP as on 31.12.09 is as under:-

Category	No. of linked consumers	No. of FSA signed
	[old consumers]	
CPP	142	141
Sponge Iron	246	240
Cement	46	46
Paper	45	45
Aluminum	4	3
Briquette	64	64
SSF	82	82
Cokeries	148	147
Others *	439	414
Total CIL	1216	1182

** others exclude power utility

- (c) Out of 134 FSAs to be executed with existing power stns, 101 FSAs have been executed

- (d) The process for issuance of LOA in respect of all new consumers who have been recommended by SLC (LT) upto December 2009 has been implemented . 562 new consumers in power , sponge iron and cement sector were served notices with a request to deposit commitment guarantee, of which 449 units have submitted CG . 443 units have been issued LOA for completion of necessary milestones. 245 units have completed milestones, of which 210 units have already executed FSA and remaining 35 units are under process of execution of FSA.. Further, through LOA route, 3 FSA/MOUs have also been executed
- (e) For supply of coal to SME sector , 8 mill tone has been earmarked by CIL for allocation to agencies nominated by the State Govts/ Uts. So far 22 states/ Uts have sent their nomination of 31 state agencies of which 30 state agencies have signed FSA for 4.1 Million Tonnes and are drawing coal accordingly.
- (f) Steps have been taken in order to enforce discipline and economy in use of coal as per NCDP directions including incorporation of necessary clause in FSA stating that Purchaser shall not sell/divert and/or transfer the Coal for any purpose whatsoever and the same shall be treated as material breach of Agreement followed by termination of Agreement without any

liabilities or damages, whatsoever, payable to the Purchaser

SINGARENI COLLIERIES COMPANY LTD (SCCL)

- (a) Out of 200 existing valid linked consumers, SCCL has executed FSAs with 181 consumers. The remaining consumers have been provided draft FSA and are yet to come forward for signing FSA
- (b) SCCL has signed FSAs with 5 new cement consumers and 24 new sponge iron units who were recommended LoA by SLC(LT)
- (c) All the existing FSAs with major cement customers were renewed w.e.f. 1st April 2008 at 75% of their normative quantity as stipulated in the Policy
- (d) Govt. of Andhra Pradesh has nominated SCCL as nodal agency for supply of coal to small and tiny consumers whose annual consumption is less than 4200 MT.
- (e) E-auction scheme was launched by SCCL in December 2007.

7.9 DISTRIBUTION OF COAL TO SMALL & MEDIUM CONSUMERS

- 7.9.1 The New Coal Distribution Policy also specifically addresses the issue of supply of coal to consumers in small and medium sector since the classification of the consumers as core and non core sector has been dispensed with under the New Coal Distribution Policy.

7.9.2 Under this policy, the State Governments are required to work out genuine requirement of such units in small and medium sector like Smokeless fuel, brick kiln, coke oven units etc. in a transparent and scientific way and distribute coal to them accordingly. The State Governments are to take appropriate steps to evaluate the genuine consumption and monitor use of coal. The cap has also been enhanced to 4200 tonnes per annum from 500 tonnes for the targeted consumers under this category. In order to meet the enhanced cap fixed for such consumers, the quantity earmarked for distribution by State the nominated agencies has been kept at 8 million tonnes annually to start with. This quantity would be allocated for distribution to those units/consumers in small and medium sector across the country whose requirement is less than 4200 tonnes per annum and are otherwise not having any access to purchase coal or conclude Fuel supply Agreement (FSA) for coal supply with coal companies.

7.9.3 The earmarked quantity would be distributed through agencies notified by the State Governments. These agencies could be State Govt. Agencies/Central Govt. Agencies (National Co-operative consumers Federation (NCCF)/National Small Industries Corporation (NSIC) etc]

or industries associations, as the State Govt. may deem appropriate. The agency so notified will continue to distribute coal until the State Govt. decide to denotify it.

7.9.4 The FSA would be based on firm commitment and compensation for default in performance on either side. The State Government/Central Govt. agencies would be free to devise their own distribution mechanism. However, the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

7.9.5 The price charged to such agencies would be the notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and upto 5% margin as service charge, over and above the basic price charged by the coal company, from their consumers.

7.9.6 CIL has informed that so far 22 States / Union Territories have nominated their agencies during the year 2009-10 for distribution of coal to the small scale industries and all the States have already started drawing coal under FSA. So far 31 State agencies have been nominated by the States, of which 30 state agencies have executed FSA for a quantity of 4.13 million tonnes against the allocation of 5.95 Million Tonnes. 5 States / Union

Territories have intimated that the coal requirement for small consumers is not significant and therefore, they do not require coal under the above dispensation. 5 States are in the process of execution of FSA.

7.10 FSA WITH STATE AGENCIES UNDER NCDP AS ON 31st DECEMBER 2009

1	NO OF STATES/UTs	35
2	QUANTITY EARMARKED (LAKH TONNE)	80.00
3	NO OF STATES NOMINATED AGENCIES	22
4	QTY ALLOCATED TO STATES / NOMINATED AGENCIES (LAKH TONNE)	59.54
5	FSA _s SIGNED SO FAR	22
6	ACQ COVERED UNDER FSA (LAKH TONNE)	41.32
7	NO OF STATES STARTED DRAWING COAL UNDER FSA	22
8	NO OF STATES INTIMATED NIL REQUIREMENT OF COAL (DELHI, HARYANA, CHANDIGARH, ANDAMAN & NICOBAR, DAMAN & DIU)	5

7.11 E-AUCTION OF COAL

New Coal Distribution Policy [NCDP] issued by Ministry of Coal on 18.10.07 paved the way for launching of a fresh scheme for sale of coal through E-auction. E-auction are of two types- Spot E-auction and Forward E-Auction. Spot E-auction is almost similar to the old E - Auction scheme introduced earlier prior to NCDP, where an intending buyer can participate in auction. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and have assured supply over a long period of one year. Each forward e-Auction shall be for a period of 12 months consisting of 4

following quarters of 3 months each. Consumers will have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders / Consumers are to make bid at or above the reserve price. While Spot E-Auction has been in operation since November 2007, Forward E-Auction has commenced only from August 2009. Forward E-Auction could not be started earlier due to difficulties in implementing certain terms and conditions incorporated in the scheme which were subsequently resolved. Around 10% of estimated annual production of CIL would be offered under e-auction. Performance of E-Auction

after implementation of NCDP is indicated as under :-

	Spot E Auction			Forward E Auction
	Nov 07- Mar 08	Apr 08- Mar 09	Apr 09- Dec 09	Apr 09- Dec 09
No of Bidders	27954	73248	56086	22
No of Successful bidders	14069	43428	28404	22
Total Qty offered (L.Tonnes)	174.996	919.575	371.315	45.628
Total Qty allocated (L.Tonnes)	155.695	488.744	306.559	5.535
Notified Price / Reserve Price of Total Allocated Qty(in Rs. Cr.)	1382.935	4577.918	2974.875	117.458
Bid Price of Toal Allocated Qty(in Rs. Cr.)	2511.35	7237.114	4768.307	117.473
% increase over Notified Price	81.6	58.1	60.3	0.00

Company wise E-Auction during Apr 2009-Dec 09 [Fig in lakh tone]

Company	Offer Qty	Allocation Qty	%increase over notified price
ECL	8.36	7.24	38.3
BCCL	19.95	17.96	57.3
CCL	37.80	36.24	54.8
NCL	9.02	8.90	103.1
WCL	38.84	36.34	44.5
SECL	61.85	61.25	97.4
MCL	190.52	134.58	50.9
NEC	4.98	4.05	49.1
CIL	371.32	306.56	60.3

7.12 IMPORT OF COAL

7.12.1 As per the present Import policy, coal can be freely imported (under Open General Licence) by the consumers themselves considering their needs based on their commercial prudence.

7.12.2 Coking coal is being imported by Steel Authority of India Limited (SAIL) and other

Steel manufacturing units mainly to bridge the gap between the requirement and indigenous availability and to improve the quality. Coast based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders are importing non-coking coal specially low ash non coking coal. Coke is

imported mainly by Pig-Iron manufacturers and Iron & Steel sector consumers using mini-blast furnace.

7.12.3 Details of import of coal and products during the last five years is as under:

(Figures in million tonnes)

	2004-05	2005-06	2006-07	2007-08	2008-09 (up to Dec 09)
Coking Coal	16.93	16.89	17.88	22.03	21.08
Non Coking Coal	12.03	21.70	25.20	27.76	37.92
Coke	2.84	2.62	4.69	4.25	1.88
Total Import	31.80	41.21	47.77	54.04	60.88

7.13 COAL CONSUMERS COUNCILS

For redressal of consumer's grievances and monitoring of complaints received from the consumers, one Regional Coal Consumers Council has been set up for each coal company. An Apex body viz. National Coal Consumers Council has also been set up at the Headquarters of Coal India Limited. In case the complainant does not receive a reply within a month or the complainant is not satisfied with the reply of Coal Company, he may prefer a complaint to the National Coal Consumers Council. These Councils have

been reconstituted during the year 2009-10 with the introduction of many new members. The meetings of these councils are also being held regularly. Apart from NCCC and RCCC, CIL has also introduced on line grievance mechanism which will give access to all buyers for lodging complaints/ grievance through CIL's website. Guidelines for lodging complaints, Forms for submission of Complaints, status report of grievance etc have already been placed in CIL website so that consumers can avail such mechanism.