

Coal Handling Plant (CHP)



**ANNUAL REPORT  
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**7**

**CHAPTER**

**COAL DISTRIBUTION  
AND MARKETING**



# COAL DISTRIBUTION AND MARKETING

## Coal Distribution and Marketing

The Marketing Division of CIL plan, coordinate and monitor the marketing activities for all of its coal producing subsidiaries. CIL has a network of Regional Sales Offices at State Capitals to cater to the needs of the consuming sectors in various regions.

## Allocation of coal to power, cement and steel plants

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 is also being made by the coal companies themselves on the basis of linkages established by the standing Linkage Committee (Long Term) (SLC (LT)) or on the basis of their existing commitments.

Details of coal supplied by CIL for various sectors during April-December 2016 is given as under:

## Coal India Limited

(Prov.) (Fig in Million Tonnes)

Sector	Targeted off take	Actual Off take	Supply % against Target
Steel*	4.60	5.23	114%
Power ( Utilities) **	326.62	306.10	94%
Captive Power ***	29.18	22.21	76%
Cement	4.09	2.65	65%
Sponge Iron	6.14	3.84	63%
Others	63.11	51.49	82%
TOTAL DESPATCH	433.73	391.53	90%
Colliery consumption	0.24	0.26	105%
Total	433.98	391.78	90%

\* : include coking coal feed to washeries, direct feed and bendable to steel plants.

\*\* : include non-coking coal feed to washery and Bina Deshaling Plant for beneficiation

\*\*\*: Captive Power included dispatches to fertilizer sector

### Sector wise Coal Off take from SCCL:

Sector-wise coal off-take from SCCL during the year 2016-17 (from April to December 2016) and anticipated off-take for the remaining period (January to March 2017) is given as under:

(In Million Tonnes)

Sector	April – Dec. 2016	April – Dec. 2015	Growth (%)	January –March 17 (anticipated)	2016-17 (Anticipated)
Power (Utility & CPP)	37.11	36.95	0.42	12.90	50.01
Steel (Sponge Iron)	0.06	0.082	-31.71	-0.01	0.05
Cement	1.48	2.478	-40.27	0.83	2.31
Fertilizer	-	-	-	-	-
Others	4.02	4.052	-0.81	1.56	5.58
Total : SCCL	42.67	43.56	-2.07	15.29	57.95

### Power Houses

Off-take of coal by thermal power stations during April–December 2016 from CIL was 306.10MT registering 94 % materialization vis-a-vis target. Compared to same period last year, the off take has increased by 7.12MT, i.e. 2.4 %.

### Cement Plants

Dispatch to cement plants from CIL during April–December 2016 was 2.65MT (provisional) as against 3.64 MT during the same period last year.

### Distribution of coal to small & medium consumers

- Under New Coal Distribution Policy (NCDP), the State Governments/ Union Territories were entrusted the responsibility for distribution of coal to consumers having requirement up-to 10000 MT per annum. The coal is to be distributed through nominated agencies by the respective States/UTs. A total of 8 Million Tonnes have been earmarked annually for distribution through the State Nominated Agencies who would be drawing coal after execution of FSA with the concerned coal company.
- The price charged to such agencies is notified price as applicable to other consumers entering into FSA. The agency is entitled to charge actual freight and margin up to 5%, as service charge, over and above the basic price charged by the coal company, from their consumers.
- During the year 2016-17 (till 31st December 2016) 13 States have nominated 19 State Agencies for distribution of coal to small, medium and other consumers, of which 09 Agencies have signed FSA for a quantity of 1.904 MT.

## E –AUCTION OF COAL

### E-Auction in CIL

Coal is also being regularly sold through electronic auction (e-auction) route at a market driven price every month in accordance to the NCDP provision. E auction are of two types- Spot E auction and Forward E Auction. Spot-auction is meant for all categories of buyers. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and could have assured supply of coal over a longer period, generally 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 reserve price. While Spot E Auction has been in operation since Nov'07, Forward E Auction commenced from Aug 09. Performance of E Auction after implementation of NCDP is given as under :

	Spot					Forward				
	Apr'13- Mar'14	Apr'14- Mar'15	Apr'15- Mar'16	Apr'15- Dec'15	Apr'16- Dec'16	Apr'13- Mar'14	Apr'14- Mar'15	Apr'15- Mar'16	Apr'15- Dec'15	Apr'16- Dec'16
No of Bidders	84485	49916	80537	58564	48249	354	179	320	184	38
No of Successful bidders	50937	28005	54495	37780	34715	239	133	224	138	37
Total Qty offered (MT)	68.86	50.17	88.067	57.745	96.10	7.88	5.89	13.25	4.82	4.41
Total Qty allocated (MT)	58.13	45.21	57.41	41.073	41.43	4.09	3.59	5.92	2.04	0.29
Notified Value of Allocated Qty (in Rs Cr.)	9281.04	6800.85	7648.82	5536.35	5382.41	444.46	501.58	705.15	345.39	87.65
Bid Value of Allocated Qty (in Rs Cr.)	12767.06	11133.51	10229.54	7543.76	6616.70	621.55	630.58	912.72	453.40	88.35
% increase over Notified Price	37.56	63.71	33.74	36.26	22.93	39.84	25.72	29.44	31.27	0.80

**Company wise spot E Auction during April 2016 to December 2016 (provisional) is as under:**

**(Fig in lac tonnes)**

Company	Offer Qty	Allocation Qty	% increase over notified price
ECL	1.870	1.201	28.22
BCCL	1.988	1.432	34.92
CCL	20.195	6.159	23.64
NCL	1.876	1.768	22.45
WCL	10.060	2.833	9.10
SECL	35.114	13.125	22.95
MCL	24.244	14.697	25.03
NEC	0.755	0.211	12.78
CIL	96.101	41.426	22.93

**ADDITIONAL AUCTIONS HELD DURING 2016-17 TILL DEC'16**➤ **Special auction for Power:**

- o Special Forward E-Auction for power producers was launched in 2015-16 which is continued in the year 2016-17 as well for making the coal available to the power consumers who are in need of coal. For the period April- December 2016, around 38.3 MT coal is booked by power consumers under this scheme.

➤ **Special Spot E auction**

- o Special Spot E-auction with lifting validity upto March 2017 was conducted by CIL in the month of Oct'16 to make the coal available for the buyers. Under the scheme, about 6.2 MT coal was allocated for the period April to December 2016.

➤ **Exclusive auction for Non Power:**

- o Exclusive E-Auction Scheme for non-power consumers was launched in 2015-16 to make coal available to non-power consumers (including CPPs). The scheme has been continued in the year 2016-17 wherein a quantity of 4.35 MT has been booked during the period Apr-Dec'2016.

Details of special forward auction for power, special spot and exclusive auction for non-power for the period April to December 2016 are given as under:

Auction	Special auction	Special Forward auction	Exclusive auction
No. of Bidders	238	1072	156
No. of Successful bidders	176	759	138
Total Qty offered (in Lakh Tonnes)	93.486	18.418	16.980
Total Qty allocated (in Lakh Tonnes)	38.320	6.262	4.349
Notified Price of Total Allocated Qty (In RsCrore)	3911.49	895.27	587.29
Booking Price of Total Allocated Qty (In RsCrore)	4570.88	1074.93	639.22
% increase over Notified Price	16.86	20.07	8.84

➤ **E-Auction of coal in SCCL:**

- o SCCL has started spot e-auction of coal in December, 2007.
- o The details of coal sold by SCCL through spot e-auction during the period from April to December 2016 are as follows:

Company	Offered Quantity (Tonnes)	Sold Quantity (Tonnes)	% increase over notified price
SCCL	4963300	1527327	10.15



## MODES OF TRANSPORT

Important modes of transport of coal and coal product 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 April – December 2016, approximately, as under:

Sl. No.	Modes of Transport	Share %
1	Railways ( including Rail –cum-Sea)	55%
2	Road	25%
3	MGR	17%
4	Belt – Conveyors/ Ropeways	03%

## PROGRESS MADE UNDER NEW COAL DISTRIBUTION POLICY (NCDP):

Prior to introduction of New Coal Distribution Policy in October, 2007, the consumers were broadly classified in two categories, 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.

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

For Power, cement and sponge iron sector the Standing Linkage Committee (long term) is authorized to recommend their coal requirement. On the basis of such recommendation a Committee on letter of Assurance (CLOA) at CIL issues coal company wise allocation of quantity. Coal companies issue letter of Assurance with specified milestones to be achieved by the LOA holder within stipulated period to become entitled for executing Fuel Supply Agreements (FSA) for coal supply. Supply of Coal to all existing valid consumers has been brought under legally enforceable Fuel Supply Agreements.

The guidelines have been issued to CIL/SCCL to conduct auction of coal linkages/LoAs to non-regulated sector according to which all allocations of linkages/LoAs for non-regulated sector viz. Cement, Steel/Sponge Iron, Aluminium, and Others [excluding Fertilizer (Urea) sector], including their Captive Power Plants (CPPs), shall henceforth be auction based. The tenure of new

Fuel Supply Agreements (FSAs) may be as decided by Ministry of Coal, subject to a maximum of 15 years.

Progress made by CIL in implementation of NCDP is summarized as under:

### ➤ Coal India Limited

Linkage system was replaced with a system of Fuel Supply Agreement (FSA). After implementation of NCDP in October 2007, FSAs of existing consumers were signed in 2008. Tenure of these FSAs being 5 years, many of the FSAs had expired. Some of them are renewed or in the process of renewal. Till Dec'16, there are 679 consumers having FSA with coal companies in categories other than Power Utilities.

## SECTOR-WISE POSITION OF FSAS UNDER NCDP TILL DECEMBER 2016 (PROVISIONAL) IS AS UNDER:

Old existing Consumers (other than Power Utilities)	No of operative FSAs of the consumers with subsidiaries of Coal India
CPP	106
Sponge Iron	208
Cement	40
Paper	36
Aluminum	2
Briquette	15
SSF	44
Cokeries	107
Others	121
Total CIL	679

- o As on date, 126 FSAs pertaining to pre -2009 TPPs have been executed.
- o Out of the SLC (LT) recommendation for issuance of LOA, up to Dec'16 a total of 598 new consumers in power, sponge iron, and CPP and Cement sub-sector submitted CG and LOA have been issued to them for completion of necessary milestones, 464 units out of them have concluded FSA. However, later on, 12 FSAs of tapering LOAs were declared invalid on account of de-allocation of coal blocks. Thus FSA as on date are 452, out of which 272 are valid. Other LOAs are cancelled/ terminated/ withdrawn at various stage of completion.

- o As per the Presidential directives dated 17.07.2013, CIL was to sign FSAs with 173 TPPs having an aggregate capacity of 78,535 MW. Till 31.12.2016, a total of 143 FSAs have been signed with power plants for an aggregate capacity of 66625 MW and an annual contracted quantity of 218.55 MT. However, out of the said capacity, TPPs having capacity of 55,347 MW have furnished long term Power Purchase Agreement (PPA) and qualify for commencement of coal supply subject to commissioning etc. However, apart from above 143 FSAs, in view of MOC's OM dated 30.06.2015, 24 tapering FSAs/ MoUs have ceased to exist. 3 FSAs are no longer valid due to various reasons like migration to SCCL and conversion to CPP from IPP etc. FSAs with remaining 3 units having normal linkage could not be signed due to the reasons not attributable to CIL

- o **Import substitution:** Under the guidance of Ministry of Coal, CIL has taken initiative for substitution of imported coal with domestic coal. Coal India, in this pursuit, organized one-to-one interactions with Power Generators to devise customized strategy as per suitability of each Power Station. Coal India, via one-to-one interactions endeavored for evolving suitable strategy.

Like rationalizing the source, providing additional coal through MoU/FSA, encouraging coal procurement through Special Forward E-auction, quality assurance etc. So far, 11 MT of coal has been substituted till DEC'16 which is anticipated to touch the level of 20 MT by the end of current fiscal.

- o **Rationalization of linkages:** An Inter-Ministerial Task Force was constituted by MOC in June 2014 for a comprehensive review of existing coal sources and also to explore feasibility for rationalization of these sources with a view to optimize transportation cost. As a part of rationalization exercise, coal linkages to the tune of 40.5 MT having potential annual saving of around Rs. 2503 crore have been rationalized so far.

CIL at its own level, during the period of APR'2016

to DEC'2016, rationalized linkages of NTPC, WBPDCL, MAHAGENCO, APCPL etc. which led to transportation savings of about Rs. 940 Crores.

- o **Linkage Auction:** CIL conducted the Tranche-I of Auction of Coal Linkages for Sponge Iron, Cement, CPP and 'Others' sub-sectors under Non-Regulated Sector during the period June to October 2016 in accordance with the policy guidelines dated 15.02.2016 issued by Ministry of Coal. The auction has been envisaged as a transparent system of linkage allocation which is based on competitive bidding. Various consumer friendly measures such as compulsory 3rd party sampling, exit option, no performance incentive, delivery from specified mine/siding, back-up mine in the event of Force Majeure, etc. have also been introduced. A total of 23.75 Mt was earmarked for Tranche-I out of which 22.14 Mt has been booked. The auction is followed by signing of Fuel Supply Agreements (FSA) for the booked quantity. The tenure of the FSA is 5 years which can be further extended by another 5 years on mutual agreement. The Tranche-II of auctions has started in January, 2017.

### COAL CONSUMERS COUNCIL

- o Regional coal consumer's councils have been set up in each coal company for monitoring and redressing consumer grievances/ complaints. Moreover, National Coal Consumer Council set up at CIL (HQ) acts as the apex body in such matters. In case reply on complaints is not received within one month or the complainant is not satisfied with reply provided by the coal company, the matter may be referred to National Coal Consumer Council. These councils were reconstituted during 2010-11 with induction of many new members
- o In keeping with technological innovations that opened newer methods of communication, On-line Grievance Management System (OLGMS) was introduced by CIL some years ago through which complaints can be lodged on-line. Customized Web portal of CIL mandates complainant to get registered before posting of complaints by any individual/ organization.
- o In case complaints/ grievance relate to coal companies,



nodal officer forwards the same to respective coal companies for their comments/ action. Soon after receipt of comments/ status, the complainant is suitably informed, thus closing the issue. In case the same relates to working of some other department of CIL, the same is forwarded to the concerned department. Complainant is informed either to take up the matter with respective authorities or is provided with the response of the concerned department in case feedback has been received.

- o Grievances/ complaints received on-line are thus being dealt and disposed off expeditiously and efficiently under the above system.