

**MOST IMMEDIATE**

No. 23011/51/2015-CPD(Pt-I)  
Government of India  
Ministry of Coal

Shastri Bhawan,  
New Delhi the 15<sup>th</sup> February, 2016

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: Auction of linkages of Non-Regulated Sector .

Sir,

The proposal of competitive bidding for auction of coal linkages/LoAs to non-regulated sector has been under examination in this Ministry. With the approval of Cabinet Committee on Economic Affairs (CCEA), the following policy guidelines for auction of linkages of Non – Regulated Sector have been decided :

- (i) Proportion of coal allocation between power and non-power sectors may be continued at the same level as average proportion of the last five years i.e. 75% Power and 25% Non-power. The Ministry of Coal may review the proportion as and when required.
- (ii) All allocations of linkages/LoAs for non-regulated sector viz. Cement, Steel/Sponge Iron, Aluminium, and Others [excluding Fertilizer (urea) sector], including their 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.
- (iii) There may not be premature termination of FSAs of non-regulated sector as of now. However, there will be no renewal of existing FSAs of non-regulated sectors [except FSAs of CPSEs and Fertiliser (Urea)] which are maturing in 2015-16 onwards, after completion of their current agreement tenure. The extant coal supply arrangements may continue till commencement of coal supply under the auction process.

- (iv) The existing FSAs with CPSEs may continue to be renewed on expiry. However, in case CPSEs require linkages over and above the existing linkages, they may participate in auction of linkage.
- (v) To start with, in the first tranche, the quantities corresponding to FSAs of non-regulated sector [except CPSEs and Fertilizer (Urea)] maturing in 2015-16 onwards and 25% of incremental CIL/SCCL production during 2015-16 over 2014-15 may be put up for auction.
- (vi) For auction of linkages, separate quantities shall be earmarked for sub-sectors of Non-Regulated sector. The sub-sectors shall compete within themselves. The sub-sectors could be Cement, Sponge Iron/Steel, Aluminium, and Others [excluding Fertilizer (urea) sector], including their CPPs etc. The Ministry of Coal may review the sub-sectors as and when required.
- (vii) Auctions shall be conducted by CIL/SCCL. Details of procedure for the methodology shall be worked out by the CIL.
- (viii) Based on experience gained in the first tranche, the operational issues such as, the quantities, sectoral allocations and sub-sectoral earmarkings, auction methodology and other operational details may also be appropriately reviewed.

2. The broad guidelines for methodology for auction of coal linkages/LoAs to non - regulated sector through competitive bidding shall be as follows:-

- (a) CIL will allocate/earmark coal from Area or mine within a subsidiary, as deemed fit.
- (b) The tenure of new Fuel Supply Agreements (FSAs) may be as decided by Ministry of Coal subject to a maximum of 15 years.
- (c) The methodology for auction of linkages shall be Non-Discriminatory Ascending Clock Auction where the Auctioneer increments the price (premium) on the electronic platform till demand-supply equilibrium is established. In this methodology, prices shall be directed by the supplier coal company through algorithmic iteration.
- (d) The initial floor price shall be set at the relevant CIL/SCCL ROM price and bidders shall bid for premium above this price for the relevant grade and for a particular 'link quantity'. If bids are received for quantity greater than 'link quantity' offered, then the premium is increased in steps. Auction stops when bids are received for exact quantity i.e. 'link quantity' offered. Each successful bidder pays the same price.
- (e) The method is illustrated in the table below:

<b>Link Quantity Offered</b>	<b>1 MT</b>
<b>Bidding Round 1</b>	
Premium over CIL RoM Price	Rs. 0 / T
Bids Received for	3 MT
<b>Bidding Round 2</b>	
Premium over CIL RoM Price	Rs. 100 / T

Bids Received for	2.5 MT
<b>Bidding Round 3</b>	
Premium over CIL RoM Price	Rs. 200 / T
Bids Received for	1.5 MT
<b>Bidding Round 4</b>	
Premium over CIL RoM Price	Rs. 250 / T
Bids Received for	1 MT

**Result: 1 MT quantity awarded @ Rs. 250 / T Premium over CIL RoM Price**

- (f) The ROM price to be paid shall be suitably indexed by CIL/SCCL for subsequent years. The successful bid premium shall remain constant over the contract period.
- (g) Maximum bid quantity by a particular bidder shall not exceed the normative requirement of the End Use Plant.
- (h) For auction of linkages, CIL/SCCL shall chalk out annual or 6-monthly auction calendar.
- (i) There shall be provision for Third Party Sampling of coal supplied.

3. Since the Competent Authority has approved the proposal of Auction of linkages of Non-Regulated Sector through competitive bidding as mentioned in para 1 above, further course of action is to be taken by CIL/SCCL for implementation of the decision of CCEA. The said decision involves working out detailed procedure/ methodology for conducting auctions by CIL. CIL/SCCL is, therefore, requested to take immediate necessary action for conducting the auctions and CIL to work out details of procedure for the methodology. The action taken report shall be sent to this Ministry from time to time.

*15/12/2016*

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India

Tel: 23384285

Copy to:

1. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
2. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
3. CEO, NITI Aayog (Attn: Adviser, Energy), Yojana Bhawan, New Delhi.
4. Chairman, Railway Board, Rail Bhawan, New Delhi (Attn. Shri. Manoj Akhauri, EDTT/F)
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi (Attn. Shri S. Abbasi, Joint Secretary)

6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi (Attn. Shri Mohan Chutani, Eco Adviser)
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi (Attn. Dr. R.S. Shrinet, ALA)
8. Secretary, Ministry of Chemicals and Fertilizers, Department of Fertilizers, (Attn: Sh. Sushil Kumar Lohani, Joint Secretary, Room No. 219-A) Shastri Bhawan, New Delhi.
9. Secretary, Ministry of Mines, (Attn: Sh. Sudhaker Shukla, Economic Adviser, Room No. 307-D) Shastri Bhawan, New Delhi.
10. Secretary, Department of Financial Services, Jeevan Deep Building New Delhi.
11. Director (Marketing), Coal India Ltd. Kolkata, Coal Bhawan, New Town, Rojarhat, Kolkata-700156.
12. ED/Coal Movement, SCCL, PB No. 18, Red Hills, Khairatabad, Hyderabad, AP.
13. CMD, CMPDIL, Ranchi, Jharkhand.
14. Chairman, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.

Copy for information to:

1. OSD to MoS(I/C), Coal, 2.PS to MoS (I/C), Coal, Power & N&RE, 3.PSO to Secretary, Ministry of Coal, 4.PPS to Special Secretary, Ministry of Coal, 5. PPS to Joint Secretary (RPG), Ministry of Coal, 6.PPS 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.

09-11-2016

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India

Copy to: Director, NIC with the request to place the same on the website of this Ministry.