

Shastri Bhawan,
New Delhi Dated the 14th May, 2015

OFFICE MEMORANDUM

Subject: Minutes of the fourth meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 27.04.2015.

The undersigned is directed to forward herewith a minutes of the fourth meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 27.04.2015, under the Chairmanship of Dr. A.K. Dubey, Additional Secretary (Coal), Ministry of Coal.

Encl: As above

09-4-2
14/5/2015

(Pilli Ravi Kumar)
Under Secretary to the Govt. of India
Ph. No.23384285

1. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
2. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi (Att. Shri. A.K. Singh, Joint Secretary)
3. Secretary, NITI Ayog, Yojana Bhawan, New Delhi (Att. Shri. Somit Dasgupta, Advisor)
1. Chairman, Railway Board, Rail Bhawan, New Delhi(Att. Shri. Manoj Akhauri, FD(TT/F)
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi(Att. Shri S. Abbasi, Joint Secretary)
6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi(Att. Shri Mohan Chutani, Eco Adviser)
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi (Att. Dr. R.S. Shrinet, ALA)
8. Secretary Department of Financial Services, Jeevan Deep Building New Delhi.
9. Chairman, Coal India Ltd. Kolkata(Att. Shri B.K. Saxena, Director (Marketing))
10. Chairman, SCCL, PB No. 18, Red Hills, Khairatabad, Hyderabad, AP(Att. Shri B. Nagya, ED/Coal Movement)
11. CMD, CMPDIL, Ranchi, Jharkhand(Att. Shri R.K. Chopra, Director T/PRD)
12. Chairman, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi(Att. Shri P.D. Siwal, Chief Engineer/ Shri Alok Saxena, Consultant)

Copy for information to:

1. PS to MoS (I/C), Coal, Power and N&RE.
2. OSD to MoS(I/C), Coal
3. Sr. PPS to Secretary, Ministry of Coal
4. PPS to Additional Secretary(Coal), 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 Director, CPD, Ministry of Coal

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(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.

Minutes of Fourth Meeting of Inter-Ministerial Committee constituted for proposed auction of coal linkages/LOAs through competitive bidding held on April 27, 2015

Additional Secretary, Ministry of Coal, welcomed all the participants.

The list of the participants is at the Annex. Representatives of SBI Capital Markets Ltd were also invited and were present.

2. Representative of the SBI Capital Markets Ltd as well as the members of the IMC raised various points related to the coal linkage allocation which were discussed by the Committee members in the Meeting. Following views came in course of discussions:-

(a) Initially, members discussed how the non-regulated sector needs to be classified into various sub sectors. There was a suggestion for classification into three categories viz.

(i) Cement & Aluminium; (ii) Iron & Steel including Sponge Iron; and (iii) Others categories as these were the key users of coal. CPPs alongwith sector would give the sectorial demand.

(b) Incremental production of CIL could be earmarked for specific sectors for auction of linkages.

(c) Some members pointed towards the recent stagnation in demand of iron & steel industry. The point was raised that the different user groups may be going through different stages of business cycle and hence, there could not be uniform interest among categories to bid in the auction.

(d) There should be level playing field for all the user groups and that there should be enough players within a sub category to ensure fair competition.

(e) In the recent coal block's auction for Schedule II and Schedule III coal mines (auctioned following the Hon'ble Supreme Court Judgement), only 10% of the requirement received in the bids was satisfied and there was a sizeable unsatisfied demand in both the sectors i.e. Cement and Iron & Steel.

(f) There was a question as to the tenure of linkages. SBICAPS proposed a 10 year time frame of linkage. Some members suggested 5 years as tenure since at present, FSAs are for 5 years.

(g) Whether sector wise allocation of enhanced CIL production towards non-regulated sector could be attempted, and whether any brackets could be arrived at, looking at the demand/supply trends and such an allocation has to be objectively done. The Committee was unanimous in its opinion that there must be clearly demarcated supply for each non-regulated sub sector and the quantity should not be insignificant.

3. Representative of SBICAPS pointed out that with the advent of a market based mechanism of award of linkages, greater emphasis was needed on the confirmation of Grade of coal supplied and the third party sampling mechanism should be used for the actual price payment. As its corollary, a suitable price correction formula needed to be incorporated.

4. SBICAPS also raised the point that previously the FSAs were signed with a subsidiary but in the market based method a smaller administrative unit must be responsible for the agreement. The unit can be the existing Areas within a CIL subsidiary or any other administrative unit suitably chalked out. Further, he suggested that a coalfield was a better option as geologically, it would have similar deposits throughout the coalfield which would be helpful in testing and billing the despatches.

5. The issue of mode of coal offtake was also raised. Members from the Ministry of Railways opined that currently, coal accounted for half of the freight traffic in India. Railways handled ROM coal, imported coal and coal from Washers/Stockyards. Currently, Railways development plan was in sync with the CIL production plan. However, with the auction of linkages, there could be a shift in the pattern of coal movement and that the CIL and Railways need to plan in tandem. Flow of traffic needed to be such that the railways can serve.

6. Various auction methodologies were considered. The members of the IMC were of the view that Bucket Filling Approach and Ascending Market Clearing Approach (followed in telecom spectrum auction) were better suited for this purpose. This was agreed for recommendation. However, SBICAPS would work out more details & finalize the proposal.

Annexure

LIST OF PARTICIPANTS WHO ATTENDED THE FOURTH MEETING OF INTER-MINISTERIAL COMMITTEE (IMC) CONSTITUTED FOR PROPOSED AUCTION OF COAL LINKAGES/LOAs THROUGH COMPETITIVE BIDDING HELD ON 27TH APRIL, 2015 UNDER THE CHAIRMANSHIP OF DR. A.K. DUBEY, ADDITIONAL SECRETARY (COAL), MINISTRY OF COAL.

	<u>Ministry of Coal, Shastri Bhawan, New Delhi</u>
1	Dr. A.K. Dubey, Additional Secretary (Coal), Ministry of Coal
2	Sh. Vivek Bhardwaj, Joint Secretary(VB)
3	Sh. R.K. Sinha, Joint Secretary (RKS)
4	Sh. D.N. Prasad, Adv (P)
5	Sh. J.S. Bindra, Director(CPD)
	<u>Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi</u>
6	Sh. P.D. Siwal, Chief Engineer
7	Sh. Alok Saxena, Consultant
	<u>Ministry of Steel, Udyog Bhawan, New Delhi</u>
8	Sh. Anupam Prakash, Director
	<u>NITI Ayog, Yojana Bhawan, New Delhi.</u>
9	Sh. Harendera Kumar, J.A.
	<u>Deptt of Industrial Policy and Promotion, Udyog Bhawan, New Delhi</u>
10	Sh. Mohan Chutani, Eco Adviser
11	Sh. Nand Lal, Consultant
	<u>Ministry of Railways</u>
12	Sh. H.S.Bajwa, Director (T)
	<u>Singareni Collieries Company Ltd (SCCL) PB No. 18, Red Hills, Khairatabad, Hyderabad, AP</u>
13	Sh. N. Bhaskar, Resident Officer
	<u>Coal India Limited, Kolkata</u>
14	Sh. B.K. Saxena, Director (Marketing), CIL, Kolkata
	<u>CMPDIL,Ranchi,Jharkhand</u>
15	Sh.Shekhar Saran, Director(Tech), CMPDIL, Ranchi, Jharkhand