

File No.23014/3/2014-CPD
Government of India
Ministry of Coal

<<>>

New Delhi, the 27th December, 2014

To

1. The Chairman,
Coal India Limited
10, NS Road, Kolkata
2. The Chairman-cum-Managing Director,
Singareni Collieries Company Limited,
18, Red Hills, Khairatabad PO, Hyderabad, AP.

**Subject: Minutes of the Special meeting of the Standing Linkage Committee (Long-Term)
for Power/Sponge/ Cement Sectors held on 3rd December, 2014**

Sir,

I am directed to forward herewith the minutes of the Special meeting of the Standing Linkage Committee (Long-Term) for Power/Sponge/ Cement Sectors held on 3rd December, 2014.

2. In this connection it may be mentioned that competent authority has decided that coal be supplied to the EUPs under category 9(a) of the Agenda of the meeting in case of deallocated/cancelled blocks till 31st March, 2015 on best effort basis/MoU route across all the sectors, i.e. Steel, Cement, Power and CPPs, subject to availability of coal. Regarding category 9(b) a view shall be taken separately once relevant base data as regards the requisite quantum of supply and availability is ascertained.

3. CIL/SCCL are accordingly requested to take follow up action to ensure that the above decision of competent authority is expeditiously implemented.

Yours faithfully,

PS-4-2 27.12.2014

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India
Tel: 23384285

Encl: as above

To,

- | | | |
|----|--|-------------|
| 1 | Additional Secretary, Ministry of Coal | Chairperson |
| 2 | Principal Advisor(Energy), Planning Commission, Yojana Bhawan New Delhi. | Member |
| 3 | Joint Secretary (Coal),, Ministry of Coal | Member |
| 4 | Advisor (Projects), Ministry of Coal | Member |
| 5 | Joint Secretary(Thermal), Ministry of Power, Shram Shakti Bhawan, New Delhi | Member |
| 6 | Joint Secretary (Ports), Ministry of Shipping, Transport Bhawan, New Delhi | Member |
| 7 | Joint Secretary, Ministry of Steel, Udyog Bhawan, New Delhi | Member |
| 8 | Joint Secretary, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi | Member |
| 9 | Executive Director T.T. (F) Room No. 261, Railway Board, Ministry of Railway | Member |
| 10 | Chairman-cum-Managing Director, CIL, 10-Netaji Subhas Rd., Kolkata.- 700001 | Member |
| 11 | Director(Marketing), Coal India Limited, 15-Park Street, Kolkata | Member |
| 12 | CMD's BCCL, CCL, ECL, MCL,NCL, SECL & WCL | Members |
| 13 | Chairman-cum-Managing Director, Central Mine Planning & Design Instt Ltd., Gondwana Place, Kanke Road, Ranchi. | Member |
| 14 | Chairman-cum-Managing Director, SCCL, P.O. Kothagudem Collieries, Distt. Khammam-507101 | Member |
| 15 | Chairman, Central Electricity Authority, Sewa Bhawan, RK Puram, New Delhi | Member |
| 16 | Chairman, NTPC, Scope Complex,, Lodhi Road, New Delhi-110003 | Member |

Copy to:

- (i) Director(Technical), CIL, 10, NS Road, Kolkata, ii) GM(S&M), CIL, 15-Park Street, Kolkata, iii)CGM(CP), CIL, 10 NS Road, Kolkata, iv) Shri A.C.Varma, GM(S&M), CIL, Scope Minar, Laxmi Nagar, Delhi

Copy also to:-

1. PS to Minister of State (I/C) for Power, Coal and NRE, 2. Sr. PPS to Secretary(Coal), 3. PPS to Additional Secretary(Coal), 4. PPS to Joint Secretary(SKS), 5. PPS to Joint Secretary(AKB), 6. Director (CPD).

PS-4-2 27.12.2014

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India

Copy to NIC, Ministry of Coal with a request to place it on the Website of this Ministry for information of all concerned.

No.23014/3/2014-CPD
Ministry of Coal
Government of India

New Delhi, the 27th December, 2014

**Minutes of the Special Meeting of the Standing Linkage Committee (Long Term)
for Power, Sponge and Cement sectors held on 3rd December, 2014**

A Special Meeting of Standing Linkage Committee (Long Term) for Power, Sponge and Cement sectors was held on 03.12.2014 under the Chairmanship of Additional Secretary (Coal). A list of participants is attached as 'Annexure-I'. The agenda of the meeting was as follows:

AGENDA

"An Inter-Ministerial Committee was constituted in the Ministry of Coal (MOC) vide order No. 23025/2/2013-CPD dated 15.03.2013 with the following terms of reference:

- I. To consider and make recommendations on the issues related to supply of coal to End-Use-Plants where:
 - (i) The linked coal blocks allotted could not be developed on account of rejection by MoEF for clearances.
 - (ii) The linked coal block has been de-allocated.
 - (iii) Where the development of the linked coal block is delayed on account of non-availability of Environment Clearance/Forestry Clearance due to blocks in no-go areas, wild life corridors or their buffer zones, Coal Bed Methane areas, etc.
- II. Any other issue referred to by the Competent Authority.

The issues were discussed in detail in the 5th Meeting of IMC held on 11.06.2014 and the Committee recommended as under:

9. *In view of the scarcity situation of coal, prioritization of categories for coal supply be done in the following order:-*
 - (a) *The EUPs which were already having long term linkages / LoAs but their then existing linkages were converted to tapering linkage consequent upon allocation of coal block.*
 - (b) *The EUPs which were granted tapering linkages in view of a coal block having been allocated to them.*
 - (c) *The EUPs which did not have any linkage whatsoever.*

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- (d) *Within (b) & (c) above, due reference shall also be made to the extent of financial exposure of these EUPs, as assessed and recommended by their sponsoring Ministries, to determine inter-se priority among them.*
- (ii) *The underlying principle shall be that preference would be given to the running plants. IPP units that come within this list are being treated separately and therefore they would be excluded from this list for the purpose deciding the priority.*
- (iii) *Above criteria shall help for ensuring supply of coal to the Sponge Iron Plants and Cement Plants, which have not been granted any fresh coal linkages since 2007.*
- (iv) *Keeping in view the fact that 49% of the power generated by CPPs can be sold through open access and captive power plants may purchase power from open market through bidding, the CPP can be excluded from above arrangement.*
10. *This dispensation shall cease to exist if and when the coal block gets restored to the allocatee. The supply of coal through the above arrangement would automatically be stopped in that case. Upon this restoration, it shall be incumbent on party to inform MOC so that these arrangements may be reviewed accordingly.'*

The above recommendations of IMC were sent to CIL for necessary action after approval of the competent authority. However, before these could be implemented, Hon'ble Supreme Court pronounced its judgements of August, 2014 and September, 2014. There has been no further progress on the issue.

In the meantime, there have been numerous representations from various organizations and associations for implementation of the recommendations of the 5th IMC.

The SLC (LT) may take a view on recommendations of 5th IMC."

Pursuant thereto, the SLC(LT) meeting on 3.12.14 proceeded to solicit Presentations by various stakeholders.

PRESENTATIONS

The following Associations had submitted their requests to make a presentation before the SLC(LT):

1. Chhattisgarh Power Producers Association
2. Chhattisgarh Sponge Iron Manufacturers Association
3. Confederation of Indian Steel Producers Association
4. MCC Chamber of Commerce and Industry, Kolkata
5. Indian Captive Power Producers Association
6. Indian Chamber of Commerce, Kolkata
7. Federation of Indian Mineral Industries
8. Federation of Indian Chambers of Commerce & Industry (FICCI)
9. Sponge Iron Manufacturers Association

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10. Domestic Coal-based Power Producers Association
11. Cement Manufacturers Association
12. All Orissa Steel Federation
13. Aluminium Association of India
14. Associated Chamber of Commerce (ASSOCHAM)
15. Bharat Chamber of Commerce
16. Coal Consumers Association of India

Out of the above Associations, those who made their presentations before the SLC (LT) are briefly indicated below along with a gist of their requests/submissions.

1. Sponge Iron Manufacturers Association

Suggestions

- Sponge iron plants which were already having LT Linkages/LoAs which were converted into tapering linkages upon allocation of captive coal block should be provided 100% coal immediately. All the three categories as prioritized in the 5th IMC Meeting should be treated at par because of the huge investment already made by Sponge Iron Plants.
- While considering the fuel security issue, the Central Govt. is according immediate priority to only the Power Sector. As Steel Sector is equally important for the development of Indian economy, it should be treated at par with the Power Sector for the purpose of fuel security.
- CPPs are integral parts of steel plants. Therefore, while deciding the linkage quantity, the coal requirement for CPPs should also be taken into consideration as many times users are not able to consume 51% captive power during FY.
- There should not be 40% add on price in terms of Tapering Policy.
- CIL is charging 20% higher price of coal for CPPs vis-a-vis IPPs. As CPPs and IPPs use same type of raw material and same end product, there should be price parity among them.
- Till the auction process is completed and in cases where the earlier coal block allottee is not successful in securing coal block, suitable arrangements are required to ensure the fuel security to the already commissioned/about to be commissioned Sponge Iron Plants. Therefore, grant of LT Coal Linkage to the operating Sponge Iron Plants which were using coal from the allotted operating captive mines and could not secure coal block in auction needs to be considered on priority basis. Otherwise survival of these Plants would be in question.
- The Sponge Iron Projects which were conceptualized on the basis of coal from the allotted captive coal blocks and are in advance stage of commissioning also needs to be granted LT Coal Linkage on priority basis, if the project could not secure coal block in auction. The preparedness for advanced stage of commissioning may be decided considering following :
 - a) Financial Closure for the End Use Plant
 - b) Availability of Environment Clearance for the End Use Plant.

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- c) Availability of sanctions for Water & Power for the End Use Plant.
- d) Availability of Land for the End Use Plant
- e) Actual start of Physical Work at Site.

- The operating plants/about to be commissioned plants which could secure coal block in auction which is under-development stage and is expected to take time to become operational and reach its peak capacity needs to be granted Tapering Coal Linkage . Otherwise inspite of getting coal block through auction, these Sponge Iron Plants may become idle/under-utilized till the time allotted mine becomes operational and reaches peak production capacity.

2. Chhattisgarh Sponge Iron Manufacturers Association

- After the New Coal Distribution Policy was announced it was decided to supply 75% Coal of the normative Quantity to all the sponge iron plants with linkage. As a result the plants which had 100 percent linkage there quantity was reduced to 75%
- Some plants have 75% Linkage.
- Some Plants have only 60% Linkage.
- Some plants have 75% Linkage but only half of that quantity is being supplied and the balance quantity was to be imported and supplied but no imports have been made in last 6 years for which our bank Guarantees of Crores have been deposited .
- Some operational plants have zero linkage because linkage applications have been kept pending since 2007.
- Some linkages have been tapered due to coal block and the coal supplies have either stopped or coal is being supplied with hefty premium .

Suggestions

- 60% Linkage to be raised to 75% immediately and coal supplies should be made accordingly.
- The LOA Route customers with 75% Linkage who have deposited bank guarantees for complete 75% should also be supplied 75% Indigenous Coal .
- Plants with No Linkage but are operational should be immediately sanctioned linkage for 75% of Normative Quantity and coal supplies should be started within 1 month.
- Finally if there is availability of coal at the subsidiaries and there is problem of evacuation then the concerned subsidiary should have the power to supply additional coal to the tune of 25% to the sponge iron plants which we shall lift by our own transportation arrangements.
- C.G. based Manufacturing industries [non-power] should be given the same priority vis-a-vis IPPs in supplies. This will help in increasing the evacuation because our plants are the nearest located consumers.

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- Coal subsidiaries must be asked to ensure quality as per the declared grade [GCV] of the coal when international norms are being followed.

3. All Odisha Steel Federation

- Release of linkage coal to sponge units, which were tapered earlier because of allocation of coal blocks:
- Confirmation of regular linkage to Steel Units, which have not yet been extended linkage facility: (Since 2007, no new linkages have been processed or approved for capacities added thereafter)
- Linkage quantity to be made 100% of ACQ henceforth: (currently only 50% of Annual Contracted Quantity is being supplied- ACQ is 75% of the normative quantity i.e; if the normative quantity is 4000 MT/month; only 1500 MT/month {50% of 75%} is being supplied)
- Resumption of suspended supplies under FSA: (Apparently the linkages were suspended under the then prevailing mindset of dissuading linkages and diverting the same towards e-auction to obtain better pricing)

4. ASSOCHAM

Steel /Sponge Iron & Cement Allocatees

- All operating steel / sponge iron and cement plants who earlier signed FSAs/LOAs should be given priority for restoring the linkages to the original Annual Contracted Quantity (ACQ) at notified price.
- Steel and cement plant who were earlier allotted coal blocks which have now been cancelled, should be assured linkages for 90% of its requirement. In case, if they are able to get a coal block in the forthcoming auction, the same may be converted into tapering as per the guidelines issued by the Government of India.
- Standing linkage committee can provide linkage for lignite through NLC. Standing Linkage Committee on coal may also intervene for rationalization of lignite prices at par with the international imported coal /pet coke prices.

Captive Power Allocatees

- Exclusion of CPPs by 5th IMC from the proposed arrangement of prioritization of categories is not fair. CPPs contribute to nation's growth in two folds –
- Fuelling industry which in-turn contributes to nation's GDP, Employment, Forex earning, Taxes etc.

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- Saving national grid from burden of Industrial load.
- The view that *CPPs can sell 49% of the generation through open access and may buy power from open market through bidding* cannot be generalized. Almost all CPPs are using 100% generation in the respective industry and if required, shall tender an undertaking in this regard.
- Coal block de-allocation has impacted all allocates equally. All of them stand insecure on the fuel front with huge investments at risk. Hence, CPPs shall also be included in the proposed arrangement of prioritization of categories for coal supply.

Independent Power Allocates

- 1st priority - Operating IPPs having valid FSA/LOA + PPA should be given priority for restoring the linkages to the original Annual Contracted Quantity.
- 2nd priority – IPPs having tapering linkages (having PPA or not) shall be given priority over those having no LOAs for the purpose of linkage restoration as per the following –
 - Minimum 50% for all currently at or below 50% level
 - “Status quo” for those above 50% level
 - 3rd priority – IPPs having no LOAs (having PPA or not) can be given non-concessional coal equal to 50% of ACQ.

5. FICCI

Suggestions

- SLC (LT) may kindly adopt and implement the recommendations of IMC early in respect of all affected EUPs, including Power Sector.
- Implementation based on the lines of underlying principles adopted by IMC.
- *“The underlying principle shall be that preference would be given to the running plants”*
- SLC (LT) may further prioritize grant of Long Term Linkages as follows:
 - EUPs of Priority / Regulated Sectors; and
 - EUPs having granted linkage (Long term or tapering)
 - Dispensation shall cease if and when developer is allocated a coal block in the future.
 - To the extent feasible, the Grade of coal supplied should be the same as that linked de-allocated coal block.
- Grant of Long Term Linkages shall ensure that power projects stranded / facing the risk of getting stranded, due to want of domestic coal supplies are rescued

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and the end consumer of electricity has access to affordable and reliable power supply

6. Captive Power Producers Association

- CIL gives same coal at 20% higher rates to CPPs against linkages
- CIL gives 25% to 70% of the coal requirement and rest is not available domestically
- CPPs are forced to feed nearly 25% of their generation to the Grid without earning any revenue
- CPPs are nearly 15-20% less efficient due to fluctuating captive loads
- State Grids levy parallel operation charges , Electricity duty and Cess on captive consumption to further burden CPPs. Example – This is more than Rs 1 per unit in C.G.

- Real Fact : CPPs were put up to get reliable & sure power for manufacturing industries to give a boost to industrial growth
- Without linkages they are commercially unviable as their power cost would become much higher than grid prices.

- Open access in our country is a dead/unviable concept for CPPs
- Distribution companies & State Govt. Have designed levy of Cross Subsidy Surcharge, Electricity Duty & Transmission / Wheeling losses, Demand charges in such a manner that it makes no commercial sense today for third party sale
- Many state grids do not buy power from CPPs so capacities are lying idle.
- CPP power costs are nearly 40% more making them uncompetitive in Open Access sale to Utilities. Most tenders also require min. 50 MW single source capacities which leave CPPs out
- Miniscule quantum of sale of power is happening under open access to third parties from CPPs
- Also this option to buy power in open access is available to all end use plants then why cite this as reason for denying CPPs coal?

- CPPs help avoid 30%+ losses in power distribution by providing decentralised generation
- CPPs help avoid transmission constraints by generating power in-situ
- CPPs have ensured cheaper finished steel - Indian secondary steel sector sells the cheapest steel in India
- Many CPPs have been set up to support smaller Waste Heat based generation of Sponge Kilns. Without this support waste gases have to be released in air.
- CPPs have made many core sector industries possible which would have never come up based on grid.
- CPPs provide far more multi-fold employability

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- Many CPPs have the power plant running but linkages have been stopped
- Partial execution of End use steel industry though CPP is commissioned
- Delayed submission of BG & other documents due to issues beyond control of promoter
- FSA cancellation as Capacity mismatch in sanctioned linkage qty and actual installed capacity
- Loss in CPP status leading to FSA cancellation

7. Cement Manufacturers' Association

- Cement is manufactured by heating limestone with small quantities of other materials to 1450°C in a kiln, a process which requires large amounts of fuel.
- A cement plant consumes 170 to 250 kg of Coal G 12 to G 13 Grade of Coal fuel per tonne of clinker produced, depending on the raw materials and the process used.
- Projected Cement demand with 12% growth is 285 Mil Tonnes requiring 48 Mil. Tonnes Coal for the Kiln and 20 Mil. Tonnes for the CPP 3400 MW in 2014-15.
- With a projected growth of 15% the Coal requirement for production of 328 Mil. Tonnes of Cement would require 56 Mil Tonnes Coal and 24 Mil. Tonnes for CPP for 4000 MW in 2015-16.

Requests

- Immediate Restoration of Quantities to Normalcy of those Linkages Affected by Tapering Linkage Policy 2010.
 - Around 5.36 MT of coal supplies to cement sector has been affected by this policy. This translates to around 32 MTPA of Cement Capacity affecting an Investment of Rs. 18000 Crores.
 - With the Hon'ble SC declaring allocation of Coal Blocks illegal and arbitrary, Tapering Linkage Policy framed keeping allocation of coal blocks as a basis should be scrapped ab-initio.
 - The tapered quantities be also returned to the cement manufacturers as the sector is entitled to get 75% of its total requirement under NCDP.
- Pending Applications.
 - Around 175 coal linkage applications are pending in Ministry un-processed for this sector.
 - Operating Cement Plants whose applications are pending be granted coal linkages at regulated price.
- Rationalisation for Grant of Fresh Coal Linkages.
 - All sectors should be promoted based on the investment made. The thrust on power sector has neglected other sectors for coal linkages. There has been no coal linkages for cement sector since 2007.

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- For coal linkages granted to every 1000 MW in case of power sector, for Cement Sector coal linkages for 1 Million TPA cement plant should also be considered in view of importance of Cement sector in economic development.
- Grant of Linkages to CPPs.
 - CPPs were installed to meet the industry's requirement as well as to export the surplus to grids to tide over the electricity shortage.
 - Now with no fuel huge investments are stranded.
 - Total fuel requirement should be supplied to CPPs.
 - Undertaking may be taken from the CPPs for not selling power till coal demand supply position improves.
- All operating Cement plants (including CPP) who have earlier signed FSAs/LOAs should be given priority for restoring the linkages to the original Annual Contracted Quantity (ACQ) at notified price. Also, all the operational End Use Plants (EUPs) who have not signed FSAs / LOAs, necessary arrangement for coal linkages should be made available.
- Setting up of CPPs have been encouraged by Government of India to augment the industrial power supply in the country. The CPP should not be excluded from the effected linkages categories. The view of the committee that 49% of the power generated by CPPs can be sold through open access and CPPs may purchase power from open market through bidding does not hold good.
- The whole purpose of setting up CPP is to bring in cost-effectiveness in the project. If EUPs start purchasing power from the open market, whole viability of the plant will be effected. Keeping this in mind, in the recent Coal Mines (Special Provisions) Ordinance, 2014, Chapter 1 Clause II (V) (ii) End Use Project includes CPP also. Since huge investments have already been made in CPP and End Used Plant, CPP should be given 100% coal linkage.
- Cement plants who were earlier allotted coal blocks which have now been cancelled, should be assured linkages for 90% of their requirement. Incase, they are able to get a coal block in the forthcoming auction, the same may be converted into tapering arrangement as per the guidelines issued by the Government of India.
- Standing Linkage Committee can provide linkage for lignite through NLC. Standing Linkage Committee on coal may also intervene for rationalization of lignite prices at par with the international imported coal /pet coke prices.

8. Federation Of Indian Mineral Industries (FIMI)

FIMI's Comments / Suggestions on the recommendations of the 5th IMC:

- i. Integrated Steel Plant (ISP) may be provided priority for grant of linkage.

CPPs should also be considered in the prioritization categories of EUPs for supply of coal. CPPs are integral part of Aluminum, Zinc, Steel, other metallurgical and Cement Plants.

Preference would be given to running plants.

While considering the Fuel Security Issue, the Central Government is according priorities only to the IPPs. Ministry of Coal also needs to consider the other Sectors viz., Steel sponge Iron, Cement and CPP at par with Power Sector while dealing with the issue of fuel security

- i. As mentioned above, CPPs are the integral part of Metallurgical and Cement Plants and therefore while deciding the Linkage Quantity, the coal requirement for CPPs should also be taken into consideration.
- ii. Almost all CPPs of the metallurgical and cement plants are utilizing their entire generation for their captive use in the respective industry. Hence the question of selling 49% power generated by them doesn't arise. If required an undertaking to this effect can be tendered by such EUPs.

Hence CPPs should not be excluded from the above arrangement of supply of coal. FIMI is of the view that the referred dispensations should continue till allotted coal blocks achieve its peak rated capacity

SLC (LT) is requested to consider:

1. Dispensation decision taken by SLC (LT) for supply of Coal should be extended to all Coal block allocatees having their operative EUPs viz. Steel, Sponge Iron, Cement and CPPs.
2. Inter changeability for Cement plant and CPPs of cement plant may be allowed for optimum use of Coal. And only coal of D-grade and above be supplied to cement industry.
3. Preference in granting coal linkage may be given to EUPs companies who are prepared to invest and develop alternative Coal evacuation mechanism from Logistically challenged Coal Mines of CIL.
4. Operating IPPs whose Coal blocks have been cancelled by Supreme Court and having long term/medium term PPA may be supplied Coal at linkage price.
5. Grant of LT Coal Linkage to the operating End Use Plants unable to secure coal block in auction.

The cancellation of Coal Blocks has already jeopardized the huge investments made by the Companies on the development of coal blocks and the associated End Use Plants and has put additional financial burden on already ailing Companies. Till the auction process is completed and in cases where the earlier coal block allottee is not successful in securing coal block suitable arrangements are required to ensure the fuel security to the already commissioned / about to be commissioned Sponge Iron Plants.

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LT Coal Linkage to the operating EUPs (Steel / Sponge Iron Plants) which were using coal from the allotted operating captive mines and not able to secure coal block in auction need to be considered on priority basis for survival of these Plants.

6. Grant of LT Coal Linkage to the Plants which are in advance stage of commissioning & which could not secure coal block in auction.

The End Use Plants which were conceptualized on the basis of coal from the allotted captive coal blocks and are in advance stage of commissioning also need to be granted LT Coal Linkage on priority basis, if such EUPs are not able to secure coal block in auction.

The preparedness for advanced stage of commissioning may be decided considering following:

- a) Financial Closure for the End Use Plant.
- b) Availability of Environment Clearance for the End Use Plant.
- c) Availability of sanctions for Water & Power for the End Use Plant.
- d) Availability of Land for the End Use Plant.
- e) Actual start of Physical Work at Site.

9. Domestic Coal Power Producers Association

Inclusion of IPPs in the discussion of the SLC (LT)

- The limited coal supply to linkage holders and de-allocation of coal blocks has impacted all sectors equally including commissioned / soon to be commissioned IPPs.
- All of them stand insecure on the fuel front with huge investments at risk.
- Therefore, it would be only fair to include commissioned / soon to be commissioned IPPs that have linkages and also prior allocatees of coal blocks in the discussion.

Prioritization of categories for coal supply to commissioned/soon to be commissioned IPPs

Priority Categories

1 IPPs with linkages and with MT/LT PPAs

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- 2 IPPs with linkages but without MT/LT PPAs
- 3 IPPs with tapering linkages (coal block deallocated)
- 4 IPPs without tapering linkages (coal block deallocated)
- 5 IPPs without linkages

Coal Supply to the different categories of commissioned/soon to be commissioned IPPs

Priority	Categories	Suggested Coal Supply
1	IPPs with linkages and with MT/LT PPAs	90% of req. at linkage prices (pooling of imported coal prices)
2	IPPs with linkages but without MT/LT PPAs	Coal at non-concessional prices (similar to steel and cement sector)
3	IPPs with tapering linkages (coal block deallocated)	No more further tapering / Tapering linkage to be converted into long term linkages
4	IPPs without tapering linkages (coal block deallocated)	Fresh long term linkages to be granted
5	IPPs without linkages	Coal from e-auction/imports / grant of fresh linkages

10. Indian Captive Power Producers Association

CPP should to be placed higher than IPP

NCDP makes no distinction between CPP & IPP, assuring 100% coal for power, irrespective of generation method, be it captive or otherwise (later-on Coal Ministry re-clarified this fact to CIL)

The clause 7.2 of NCDP – 2007 provide 100% of normative quantity of IPP / CPP / Fertilizer while 75% for other consumers like Cement, Steel, Co-Gen. etc Therefore, if there is any need to define priorities for coal linkage against erstwhile Tapering Linkage, the same may be guided by this NCDP clause.

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Suggestions:

- Preference to operating plant over futuristic plants is undisputed
- The IPP have been excluded by IMC considering that they will get special priority and treatment.
- As expressed above, CPP are at par or have higher importance than IPP.
- ICPPA humbly reiterate that in place of defining priorities of allocation, equitable distribution should be done.
- However, if priorities have to be defined, than with above logic, CPP should continue to get priority over industry use.
- The clause 6.2 of NCDP defined that coal consumption Norms for all industries (other than cement, steel, fertilizer) should have been published so that CIL could issue them LOA.
- However norms are not issued till date denying these coal users any opportunity to apply for coal linkages & get coal e.g. co-gen.; heat & steam users like engineering, edible oil, Pharma etc.
- Thus these coal users should also be asked to apply for linkages so that they get opportunity equal to cement & steel industry in getting coal at this stage, even if their needs are much lesser
- The problem of not getting Coal linkages is applicable to CPP also. After 2009, SLC(LT) did not consider CPP.
- Since than, almost 15,000-20,000 MW CPP capacity became operational waiting for Coal linkages but they are forced to close or operate at low capacity.
- There appears to be an oversight by IMC seeking CPP exclusion from linkage & not in-line with laws & policies thus discriminating against CPP. It is requested to remove the clause 9(iv)
- Electricity Policies equate CPP with other power producers. It is 'Rules' that define upper limit of power sale as 49% to stress self-consumption. Defaulters are penalized by States. Then why to penalize law-abiding
- The use of words fact & can be sold could have been avoided: In practice, free open access is not available in most states or the same is getting restricted day-by-day e.g. Maharashtra, Gujarat, CG etc. South Zone can't be supplied due to Grid bottleneck
- Analogy of 1st half of clause 9(iv): all citizens have potential to do a crime but all are not jailed just because of possibility of crime.
- The enabling provision 'to sell' was to make available excess power to Discom but hardly any power is sold (mostly un-used wheeled power during prodⁿ cycles) because Discoms want to buy it much below cost.
- In absence of linkages and partial fulfillment of coal linkages, CPP operate at partial capacity. Thus there is no opportunity to sell any power, leave aside 49% power
- By saying "CPP may purchase power from open market", may be IMC overlooked that actually they are forcing CPP to close down own plants and buy from Private IPP.
- This will add avoidable costs on CPP towards T&D loss, costs & profits charged by Grid-operator as well as by Discom

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- For example Gujarat disallow buying short-term power from out of state thus a CPP can't buy power through bidding / exchange.
 - Many IPP have critical coal stock even after getting 105-120% of FSA coal because discom demand is higher. Already coal from existing CPP are being diverted to IPP for power to the grid, leaving no power to buy
 - Due to continuous nature of manufacturing process, most of CPP based industries can not survive without captive power. Therefore buying power from outside will not serve the very purpose of setting up CPP to boost manufacturing activities in the country.
 - It is also against IMC's own views that already made investment should be utilized to its full & not converted to NPA / sick unit.
 - It may be noted that the decision of de-allocation has impacted all coal block allocates equally viz. IPP, CPP, Sponge, Cement etc. All of them stand insecure on the fuel front with huge investments at risk. Therefore, it would not be fair to devoid CPPs of any relief that may be extended to other categories of allocates.
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- To fulfill present IPP FSA, already 50% coal from CPP has been diverted from year 2008 by CIL & diversion quantity is increased in 2013.
 - Give some coal to all coal users in place of diverting even e-Auction coal to IPP
 - By rotation operate each IPP for few months at a stretch so that operation is at high PLF and all plants can earn / pay back some thing to Banks / Lenders
 - For 2-3 years / till production from Blocks starts or till incremental quantity is given by CIL, may Government give moratorium for defining the assets as NPA and for paying back to lenders
 - The coal block re-allocation process gives an opportunity to make some coal available from these blocks for the nation, including coal needed to implement IMC recommendations
 - If we are given an opportunity, we can briefly explain to SLC(LT) about Modified Reverse-Auction Model for Coal Blocks (ref Annex.-V)
 - The model gives equitable distribution of natural resource, no subjective allocations, leads to minimizing coal cost in place on increasing coal price in auction, increase efficiency etc.
 - Allow bids only for operating capacities and not for yet to start plants. Make bidding in two parts – Actual assessment of demand & controlled bidding
 - Merge smaller blocks for efficiency, common rail / road links
 - Allow only 30% - 70% coal for self use – depending on block size and balance coal goes to the nation
 - The bidder should quote that at what cost he is ready to give the balance coal to the nation. If he find that his business can absorb higher cost than a situation can come where for higher quality coal, bidder is ready to even pay some amount to nation
 - The such received 30-40% coal be transferred to a central agency for distribution against linkages\
 - No blocks be given to states – the benefit should be available to all & not a restricted section influencing state govt.
 - Fractional ownership be given to smaller business so that they also can get benefit of fixing coal cost – that can otherwise be done only by large companies

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11. Indian Chamber of Commerce

- Since this agenda follows from the terms of reference for the Inter-Ministerial Committee that was constituted in the Ministry of Coal (MOC) vide its order dated March 15, 2013 and the recommendations of the Committee as per the discussions held in the 5th Meeting of IMC dated June 11, 2014, hence the following issues have not been considered at such point of time –
- Supply of coal to the EUPs having operational captive coal blocks, which have been de-allocated vide the judgment and order dated August 25, 2014 and September 24, 2014 passed by the Hon'ble Supreme Court;
- Supply of coal to the EUPs having tapering coal linkages in view of allocation of coal blocks, which have been subsequently de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court;
- Supply of coal to the EUPs having coal blocks almost ready for production but subsequently de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court.
- It is for certain that, in absence of coal linkages being granted to the EUPs mentioned above, it would result into:
 - Huge loss for the EUPs;
 - Exposure to the risk of shut down for the EUPs due to dearth of uniform and adequate supply of coal in market;
 - Unemployment of huge number of direct and indirect employees in the EUPs;
 - Billions of worth of assets charged with the Banks turning into NPA;
 - Deep negative impact on the economy of the nation.

SUGGESTIONS

In view of the judgment and order dated August 25, 2014 and September 24, 2014 of the Hon'ble Supreme Court, it is imperative to consider and make recommendations on the issues related to supply of coal to End Use Plants (EUPs),

For prevention of disruption in the production in the running EUPs, having operational coal blocks, and for ensuring uninterrupted supply of coal, it is necessary that:-

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- Long Term Coal linkage for 100% of the normative requirement of coal be granted to such EUPs;
- Grade of coal supplied should be the same as that of the coal produced from the linked de-allocated coal block, as most of the EUPs have been set up with the technical requirement for a fixed grade of coal;
- Fuel Supply Agreements be executed in favour of such EUPs directly, dispensing with the regular scrupulous process involving conditions of achievement of milestones in respect of EUPs.

□ Inter se prioritization of categories for coal supply

In view of the situation of scarcity of coal, prioritization of categories for coal supply be done in the following order –

A) EUPs which were having operational captive coal blocks, de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court;

B) EUPs which were having long term linkages / LoAs, but their then existing linkages were converted to tapering linkages consequent upon allocation of coal blocks, now de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court;

C) EUPs which were having tapering coal linkages in view of allocation of coal blocks, de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court;

D) EUPs, which are running and in respect of which applications for coal linkages have been received by the Ministry prior to the year 2005;

E) EUPs, which are running and were having allocation of coal blocks, almost ready for production, but de-allocated vide the aforesaid judgment and order of the Hon'ble Supreme Court;

F) EUPs, other than above, which did not have any linkage whatsoever;

G) Within (e) and (f) above, due reference shall also be made to the extent of financial exposure of these EUPs, as assessed and recommended by their sponsoring Ministries, to determine inter-se priority among them.

The underlying principle should be that preference would be given to the running EUPs having coal blocks, which were either operational or almost ready for operation and other running EUPs.

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- Generating companies that have linkages (LoA and FSA signed) and have Long term/ Medium term PPAs may be given coal for 90% of Annual Contracted Quantity (ACQ) by pooling imported coal if required.
- Power plants having linkages that have been commissioned and are idling due to shortage of coal, may be supplied 50% coal at Non-concessional prices at which it is being supplied to the sectors like Steel and Cement without any requirement for Long Term PPA.
- Power plants without any linkages but under advance stage of construction should be given linkages.
- Power plants which were earlier allotted coal blocks which have now been cancelled should be assured linkage for 90% requirement if they are unable to get a coal block for their complete requirement in the forthcoming coal block auctions.
- Preference in granting coal linkage may be given to power generators who are prepared to invest and develop alternative coal evacuation mechanism (such as Cross Country Pipe Conveyor System) from logistically challenged Coal Mines of CIL.

12. Aluminium Association of India

- In the past, CPPs used to be treated at par with the Power Sector for allocation of linkages.
- Captive Coal Blocks were also allocated to CPPs under the category of "Power Generation".
- Presently, linkages are being denied to CPPs and the end use projects are suffering for want of coal.

Post De-allocation of Coal Blocks, the plight of the Aluminium Industry is worse than Power industry

- Most of the expansion projects have been implemented and projects are currently ramping up
- Higher stakes on coal – due to large investments, not only in the large-scale power plants but also in aluminium smelter plants
- We are, therefore, concerned by IMC's observation in its 5th Meeting held on 11.06.2014 to exclude CPPs from the proposed arrangement for supply of coal through linkage / tapering linkage to End Use Plants which are ready, because –

- *CPPs can sell 49% of power through open access, and*
- *CPPs may purchase power through open market*

Why CPPs deserve a similar treatment like IPPs?

- ❑ Having invested heavily in CPPs attached to the Aluminium Industry, the suggestion that we can purchase power does not make economic sense; especially in the context of the volume of its requirement and scarcity of power.
- ❑ CPPs capacity matches smelter requirement; our CPPs do not sell power – barring small amounts for load balancing and in emergent situations
- ❑ CPPs smoothen country's power situation and augment overall power supply

We sincerely request NOT to exclude CPPs from any arrangement for providing linkages for these large CPPs of Aluminium Sector.

We further request that CPP sector should be treated on par with the IPP sector.

13. Coal Consumers' Association of India (CCAI)

Submissions of CCAI

- The End Use Plants (EUPs) whose coal blocks have been de-allocated and coal supply had been stopped through tapering route, should be restored to their Long Term Coal Linkage with immediate effect.
- The Coal linkage should continue till the blocks come into production if the End User Units can acquire Coal blocks through competitive bidding in future.
- No fresh linkage has been granted for Sponge Iron and Cement Plants since 2007. Atleast the operating plants and the plants which are about to commence production shortly should be given priority while considering the grant of linkage. Coal linkage should be awarded to these plants immediately.
- The EUPs whose LoAs had been granted but FSAs had not been materialised for reasons beyond the control of the companies and their plants are in running condition should be granted Coal linkages with immediate effect.
- The EUPs where linkages had been snapped and Bank Guarantee (BG) had been encashed by CIL Subsidiaries should be considered for granting fresh linkages on merit if their plants are in running condition.

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- Moreover the linkage quantity should be restored on the basis of their actual allotted long term linkage quantity and not on the basis of their tapering linkage quantity.
- Considering the downturn of the industrial growth affecting the national economic condition, the price of the restored linkages and fresh linkages should be as per CIL Notified price.
- As the determined contracted quantity is only 75% of the normative quantity, the linkage quantity is insufficient for running the End Use Plants. The FSAs should be made on 100% of the Long Term Linkage quantity.
- Considering the capacity addition of the End Users from Cement, Sponge Iron and other sectors the determination of the FSA quantity should be revisited and keeping in view the growing demand of the EUPs the FSA quantity should be increased yearly in the tune of their capacity increase.

DELIBERATIONS BY THE COMMITTEE

The representative of the Ministry of Steel stated that the EUPs which were in operation and which earlier had normal or tapering linkages should get first priority in supply of coal. He said that existence of a running EUP is the basic criteria for allocation of coal. He also advocated that even those EUPs which did not have any linkage earlier but their blocks had been deallocated/cancelled, should also get some supply of coal.

The representative of DIPP agreed with the recommendations of 5th IMC in so far as they pertained to cement sector. However, he also supported the view that CPPs should be treated at par with IPPs.

The representative of Ministry of Power suggested that ad hoc supply of coal should be made to EUPs indicated at para 9 (a) & (b) till 31st of March or till allocation of coal block to them, whichever would be earlier. EUPs under categories 9 (c) should not be considered for ad hoc supply of coal since these units proceeded without any coal assurance, and for them, the situation remained as it were. He further pointed out that premium charged by CIL on supply under tapering linkages should be discontinued.

Director (Marketing), CIL stated that during discussions by IMC on 11.06.2014, there were 27 S.I. plants and 3 cement plants under consideration whose blocks had been deallocated or delayed as per the list provided by CCO. However, as on date, further 27 S.I. plants and 2 cement plants have been added by CCO after further deliberations. This will reduce the quantity available for supply to each plant proportionately. He further stated that additional quantity that can be made available for supply to EUPs indicated at para 9 (a) & (b) would be to the tune of 5 million tonnes per annum. EUPs under category 9 (c) should not be considered for the reasons mentioned

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above and also since there is no authentic and comprehensive list of such plants available. It would not be justified at all to provide coal to such EUPs who did not have any linkage earlier, normal or tapering. Giving any coal to such plants would also be tantamount to their jumping the queue over those applicants who had applied for linkages as far back as in 2007 and thereafter. Further, such supply would increase the liability of CIL which under the present production level, it cannot meet. He was also of the view that only EUPs of sponge iron / steel and cement sectors should be considered for supply of coal. Preference should be given to the running plants. There is no scope for supply of coal to EUPs of power sector or to CPPs.

Director (Marketing), CIL also pointed out that the norms of consumption of coal (normative requirement) of EUPs of all sectors have been reworked in consultation with concerned technical organisations. These should be taken into account while working out requirements of EUPs under consideration.

It was also pointed out that EUPs linked with operational blocks should not be covered under the current arrangements as they are entitled to receive coal till 31st March, 2015. Furthermore, those EUPs whose tapering linkages have been reduced to zero levels and their blocks have been deallocated/cancelled would also need to be considered for supply of coal.

Director (Marketing), CIL also suggested that EUPs to be supplied coal under current proposal shall be offered coal from the mines nearest to them on best effort basis and they should lift coal by road.

RECOMMENDATIONS

After detailed deliberations the Committee recommended that in view of the scarcity situation of coal, prioritization of categories for coal supply be done on best effort basis in the following order in case of deallocated/cancelled blocks:-

- (a) The EUPs which were already having long term linkages / LoAs but their then existing linkages were converted to tapering linkage consequent upon allocation of coal block.
- (b) The EUPs which were granted tapering linkages in view of a coal block having been allocated to them.

The committee recommended that coal be supplied to above EUPs under (a) and (b) category subject to availability. EUPs under category 9 (c) in the agenda should not be considered since there is no authentic list of such plants. It would not be justified at all to provide coal to such EUPs who did not have any linkage earlier, normal or tapering and yet they proceeded with it. Giving any coal to such plants would also be tantamount to their jumping the queue over those applicants who had applied for linkages as far back as in 2007 and thereafter. For the purpose of supply of coal on these recommendations, CIL shall assess the quantity of coal that could be made

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available for this dispensation and keeping that in view, may enter into MoU with EUPs in the order of precedence and priority indicated above. This shall not infringe into the quantity of coal that a EUP is entitled to, under the existing tapering linkage if that quantity is higher.

The underlying principle shall be that preference would be given to the running plants. Further, coal supply under category (a) & (b) above shall be confined to EUPs under sponge iron/steel and cement sectors only. IPP units are being treated separately and therefore they would be excluded for the purpose of supply of coal under current dispensations. The CPP shall also be excluded from above arrangement (because of scarcity of coal).

Tentatively, additional 5-7 million tonnes of coal may be made available under current arrangement. The quantities to be supplied to each EUP shall be in proportion to their LoA quantity before these were tapered on account of allocation of coal blocks. Those EUPs whose tapering linkages have been reduced to zero levels and their blocks have been deallocated/cancelled would also need to be considered for supply of coal. EUPs linked with operational blocks should not be covered under the current arrangements as they are entitled to receive coal till 31st March, 2015. EUPs to be supplied coal under current proposal shall be offered coal from the mines nearest to them and they should lift coal by road.

EUPs linked with those coal blocks which are under investigation by CBI and FIRs have been registered against them shall not be considered for supply of coal under above arrangement.

This dispensation shall be in operation till March 31st, 2015.

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Annexure - I

LIST OF PARTICIPANTS WHO ATTENDED THE SPECIAL MEETING OF THE STANDING LINKAGE COMMITTEE (LONG TERM) FOR POWER/SPONGE/CEMENT SECTORS HELD ON 3RD DECEMBER, 2014 TO REVIEW THE STATUS OF EXISTING COAL LINKAGES/LOAs AND OTHER RELATED MATTER

	<u>Ministry of Coal</u>
1	Dr. A.K. Dubey, Additional Secretary (Coal)
2	Sh S.K. Singh, Joint Secretary(SKS)
3	Sh. J.S. Bindra, Director(CPD)
	<u>Ministry of Power</u>
4	Sh. A.K. Singh, Joint Secretary
5	Sh. Harpreet Singh, Director
	<u>Central Electricity Authority</u>
6	Sh. Alok Saxena, Consultant
7	Sh. P. D. Siwal, CEA
	<u>Ministry of Steel</u>
8	Shri Anupam Prakash, Director
	<u>Deptt of Industrial Policy and Promotion</u>
9	Sh. K. Srinivasu, Under Secretary
10	Sh. Nandlal, SDO
	<u>NTPC</u>
11	Sh. D.K. Saha AGM
	<u>Singareni Collieries Company Ltd (SCCL)</u>
12	Sh. N.V.K. Srinivas
13	Sh. N. Bhaskar, Resident Officer
	<u>Coal India Limited and Coal Companies</u>
14	Shri A. N. Sahay, CMD, MCL
15	Shri T. K. Nag, CMD (MCL)
16	Sh. G. Singh, CMD, CCL
17	Shri N. Kumar, CMD (SECL)
18	Sh. B.K. Saxena, Director (Marketing)), CIL
19	Sh. A.K. Tiwari, Director (O), MCL
20	Sh. Rajesh Bhushan, GM (S&M), CIL
21	Sh. G.K. Vashishtha, CSM, CIL, New Delhi
22	Sh. A.C. Verma, GM (S&M), CIL, Delhi Office
23	Shri L. K. Mishra, GM (S&M)
24	Sh. R. Gupta, GM(S&M), CCL
25	Sh. S. N. Prasad, GM (S&M), WCL
26	Shri Tarak S. Roy, Sr. MGR (S&M), SECL
27	Dr. Y. V. S. Prasad, GM (S&M), SECL
28	Shri S. K. Roy, Sr. MGR (S&M), SECL
29	Sh. Raghu Nandan GM(S&M), MCL