

No.23011/39/2008-CPD
Government of India
Ministry of Coal

Dated the 26th February, 2010

Subject: Guidelines/Policy relating to issuance of Letter of Assurance (LOA)/allocation of coal on "tapering basis" to various consumers of Power, Cement and Sponge Iron.

"Tapering linkage" is the "short term linkage" which is provided to the coal consumers, who have been allocated captive coal block (s), for meeting coal requirements of its linked End Use Plant (s) (EUP) in such cases where the development/production of coal block(s) allocated for this particular EUP is not synchronized with the operation/requirement of coal of the EUP.

2. In supersession of this Ministry's letter No.23011/7/2007-CPD dated 4.12.2007 and any other letters/instructions issued by this Ministry on the subject matter, it has been decided that, henceforth, the following principle and procedure will be adopted for issuance of LOA/allocation of coal on tapering basis to various consumers, who are eligible as per these guidelines and apply for the same to this Ministry.
3. Procedures for granting tapering linkage would be similar to the procedure being followed for authorization/grant of Letter of Assurance (LOA) for new consumers. The applicant has to submit an application, in triplicate, along with prescribed processing fees, as applicable in his case as per the extant instructions. The prescribed application fee should be paid through a Demand Draft in favour of "PAY AND ACCOUNTS OFFICER, MINISTRY OF COAL" payable at New Delhi. The application fees/processing fees once remitted and deposited is "NON-REFUNDABLE", whether the application/request is accepted or rejected by the Competent Authority for grant of LOA for Tapering Linkage. After receipt of application, the existing procedure of getting reports from concerned Ministries and companies etc. similar to the normal procedure for authorizing LOA, would be followed by this Ministry.
4. Tapering linkages would be considered by the Standing Linkage Committee (Long Term) and approved by the Competent Authority. Tapering Linkage shall be considered in such cases where the End Use Plants (EUP) linked to coal block(s) is already in existence and production or where EUP is likely to come up in the near future. For the purpose of Tapering Linkage the capacity of EUP linked to coal block alone shall be taken into consideration. Tapering linkage will be allowed only to the extent of satisfaction level considered for allocated / to be allocated Coal Block (s).

For the balance capacity (requirement) of the EUP, the applicant would be free to apply for LOA as per extant policy or to tie up coal through any other source (s) including import.

5. Coal Block(s) allocated to State Government for commercial use will not be eligible for Tapering Linkage. Normal linkage of EUP, if any, linked to coal block(s) subsequently allocated will be converted into Tapering Linkage from the date of allocation of block and in accordance with provisions stipulated in foregoing paragraphs. These consumers would not be required to apply afresh for Tapering linkage but would be required to intimate CIL/SCCL as soon as block(s) is/are allotted to such EUP having FSA/linkage/LOA from CIL/SCCL sources.

6. The tapering linkage may be approved by the Competent Authority from the date of allocation of the coal block (zero date) and till scheduled date of commencement of production as per milestones indicated in the Block(s) allocation letter (hereinafter referred to as "normative date of commencement of production") and to the extent of "normative requirement" as per the New Coal Distribution Policy (NCDP) which provides for meeting 100% of "normative" requirement for power, Fertilizers and 75% of the "normative" requirement in other cases.

7. For the period subsequent to normative date of commencement of production from coal block the tapering linkage shall be considered for a maximum period of three years only as per details in following paras. However, if the production commences before normative date of commencement, the three years will be reckoned from the said date.

8. During the maximum period of three years admissible beyond the normative date of production, coal will be supplied as per following norms:

(a) First year - 75% of normative quantity as applicable in the 12 months immediately preceding the normative date of commencement of production.

(b) Second year - 50% of normative quantity as applicable in the 12 months immediately preceding the normative date of commencement of production.

(c) Third year - 25% of normative quantity as applicable in the 12 months immediately preceding the normative date of commencement of production.

9. The requirement of the end use project would be determined having regard to, inter alia, the capacity for which the coal block has been allocated, the grade of coal being mined from the block as mentioned in application for captive block, normative requirement(s) and actual/operational capacity. Coal Controller will work out the requirement after satisfying himself of details/documents furnished in support of operating capacity/technical

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parameters etc. and if required he may even resort to physical inspection of the project(s).

10. Coal Controller shall be responsible for quantification and regularization of tapering linkage in consultation with CIL. Based on approval by SLC (LT), Ministry of Coal shall intimate details of the approval to CIL /Coal Controller and Coal Controller shall indicate the quantity and schedule to CIL/concerned coal companies which shall be duly incorporated in the Fuel Supply Agreement (FSA) to be concluded between concerned coal company (ies) and consumer. Any dispute as regards quantification shall be referred to Coal Controller first and then if it remains unresolved to the Ministry of Coal for final decision.

11. These guidelines/policy would be applied prospectively i.e. from the date of issue of this order. Those cases where tapering linkage has already been approved by the Ministry of Coal will be regulated from the date of this order, in accordance with the terms and conditions mentioned in these guidelines to the extent supply of coal under tapering linkage is concerned.

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Under Secretary to the Govt. of India

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3. Coal Controller, 1, Council House Street, Kolkata.

Copy for information to:

1. Shri Puneet K. Goel, Director, Ministry of Power, Shram Shakti Bhavan, New Delhi.
2. Shri Sanjay Mangal, Director, Ministry of Steel, Udyog Bhavan, New Delhi
3. Shri Shashi Ranjan Kumar, Director, DIPP, Ministry of Commerce & Industry, Udyog Bhavan, New Delhi
4. Dr.A.K.Sarkar, Dir (M), CIL, 15 Park Street, Kolkata
5. Shri M.L.Gupta, GM (S&M), CIL, Scope Complex, Lodhi Road, New Delhi-3.

Copy also to:

Director, NIC, Ministry of Coal – with a request to place the letter on the website of this Ministry, for wider publicity.