



**Minutes of the 7<sup>th</sup> Meeting of Inter-Ministerial Committee constituted for proposed auction of coal linkage/LoAs through competitive bidding held on 24<sup>th</sup> September, 2015.**

At the outset, Additional Secretary, Ministry of Coal, welcomed all the participants which included representatives from different Ministries, Coal India Limited (CIL), Niti Aayog and SBI Capital Markets Ltd. (SBICAPs).

2. List of the participants is at Annexure.

3. The final report submitted by SBICAPs to Coal India Limited (CIL) for proposed methodology of auction of coal linkages was received by the Ministry of Coal and soft copy of the report shall be circulated amongst the various members of IMC. A presentation was made by SBICAPs to IMC regarding the final report submitted by them for proposed methodology of auction of coal linkages. The sector wise demand-supply analysis was presented and the high ratio of unmet demand was discussed. Members discussed the various points in the report such as the capacity utilisation assumed, and whether low capacity utilisation is primarily due to lack of coal supply or stemming from depressed market conditions for end products, and pressure from excess capacities in international markets, and also that some of the plants assumed in the demand analysis may be under construction, while some may not be operational. Members also agreed that for supplementary analysis of demand, inputs from Industry Associations and ministries may be incorporated.

4. After deliberations, members were of the view that in the light of submissions made by stakeholders in the previous meeting, the option of termination/foreclosure of FSAs may not be exercised as of now. The FSAs of non-regulated sectors which are expiring/maturing in 2015-16 onwards may not be renewed and the coal quantities pertaining to these may be made available for linkage auction. Besides, 25% of incremental production of CIL during 2015-16 over 2014-15 and subsequent years may also be auctioned as linkages.

5. The representative of Deptt. of Fertilizers stated that the input cost including coal used during urea production is a pass through item in New Urea Policy-2015. Therefore, any increase in coal price through competitive bidding will increase the subsidy burden of the Govt. of India. Hence, the existing system of supply of coal through coal linkage to Urea units may continue. The IMC supported this view point.

6. Members were of the view that, sectoral reservations may not be adopted in the first tranche as there is no significant empirical evidence justifying the same, including from the recent coal block auctions where allocation to end use sectors was not skewed despite no sectoral allocations. Members agreed that the outcome of the first tranche of linkage auction will be useful in making any course

corrections including sectoral reservations in subsequent rounds, if required. It was also recommended that the FSAs of PSUs of Non-regulated sector would continue to remain in force as it is in the larger public interest.

7. The draft methodology for proposed auction of Coal Linkages/LoAs to non-regulated sector through competitive bidding could be as follows:

- (a) CIL will allocate/earmark coal from Area or mine within a subsidiary, as deemed fit.
- (b) The tenure of auctioned linkage shall be upto five 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. Each successful bidder pays the same price.
- (d) The initial floor price shall be set at the relevant CIL 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.
- (e) The method is illustrated in the table below:

<b>Link Quantity Offered</b>	<b>1 MT</b>
<b><u>Bidding Round 1</u></b>	
Premium over CIL RoM Price	Rs. 0 / T
Bids Received for	3 MT
<b><u>Bidding Round 2</u></b>	
Premium over CIL RoM Price	Rs. 100 / T
Bids Received for	2.5 MT
<b><u>Bidding Round 3</u></b>	
Premium over CIL RoM Price	Rs. 200 / T
Bids Received for	1.5 MT
<b><u>Bidding Round 4</u></b>	
Premium over CIL RoM Price	Rs. 250 / T
Bids Received for	1 MT
<b>Result: 1 MT quantity awarded @ Rs. 250 / T Premium over CIL RoM Price</b>	

- (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.

8. Meeting ended with a vote of thanks to the Chair.

.....

LIST OF PARTICIPANTS WHO ATTENDED THE SEVENTH MEETING OF INTER-MINISTERIAL COMMITTEE (IMC) CONSTITUTED FOR PROPOSED AUCTION OF COAL LINKAGES/LOAs THROUGH COMPETITIVE BIDDING HELD ON 24th SEPTEMBER, 2015 UNDER THE CHAIRMANSHIP OF DR. A.K. DUBEY, ADDITIONAL SECRETARY (COAL), MINISTRY OF COAL.

S.No.	<b><u>Ministry of Coal, Shastri Bhawan, New Delhi</u></b>
1.	Dr. A.K. Dubey, Additional Secretary (Coal)
2.	Sh. R.P. Gupta, Joint Secretary (RPG)
3.	Sh. R.K. Sinha, Joint Secretary (RKS)
4.	Sh. J.S. Bindra, Director (CPD)
5.	Pilli Ravi Kumar, Under Secretary (CPD)
	<b><u>Ministry of Power, Shram Shakti Bhawan, New Delhi</u></b>
6.	Sh. A.K. Singh, Joint Secretary
7.	Sh. Harpreet Singh Pruthi, Director
	<b><u>Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi</u></b>
8.	Sh. N.S. Mandal, Director
	<b><u>Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi</u></b>
9.	Dr. R.S. Shrinet, ALA
	<b><u>NITI Ayog, Yojana Bhawan, New Delhi</u></b>
10.	Sh. Harendera Kumar, J.A.
	<b><u>Deptt. of Industrial Policy and Promotion, Udyog Bhawan, New Delhi</u></b>
11.	Sh. Nand Lal, Consultant
	<b><u>Ministry of Railways, Rail Bhawan, New Delhi</u></b>
12.	Sh. H.S. Bajwa, Director
	<b><u>Department of Fertilizers</u></b>
13.	Smt Sunita Bansal, Under Secretary
	<b><u>Department of Financial Services</u></b>
14.	Smt Anna Roy, Joint Secretary
	<b><u>Coal India Limited, Kolkata</u></b>
15.	Sh. G.K. Vashishtha, General Manager (S&M), CIL, Delhi Office.
	<b><u>CMPDIL, Ranchi, Jharkhand</u></b>
16.	Sh. R.K. Chopra, Director T/PRD
	<b><u>SCCL, Hyderabad</u></b>
17.	Sh. NVK Srinivas, DGM (Marketing), SCCL
	<b><u>SBI Capital Markets Ltd.</u></b>
18.	Sh. Supriyo Gupta, Vice President
19.	Sh. Nand Kumar, Sr. Manager