

# Objectives of SHAKTI Yojana

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The Government introduced Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India (SHAKTI), 2017, which was issued by the Ministry of Coal on 22.05.2017, followed by amendments in this Policy issued by the Ministry of Coal on 25.03.2019 and 08.11.2023. SHAKTI Policy is a transparent way of allocating coal to Power Sector. The main features of the SHAKTI Policy (as detailed under its various Paras) are as under:

**Para A:** Fuel Supply Agreement (FSA) may be signed with pending Letter of Assurance (LoA) holders after ensuring that the plants are commissioned, respective milestones met, all specified conditions of the LoA fulfilled within specified time frame and where nothing adverse is detected against the LoA holder. Further, it has allowed continuation of the existing coal supply to the capacities of about 68,000 MW at the rate of 75% of Annual Contracted Quantity (ACQ), which may further be increased in future, based on coal availability. The policy has enabled coal supplies at 75% of ACQ against FSA to about 19,000 MW capacities, which have been delayed in commissioning, provided these plants are commissioned within 31.03.2022. The medium term Power Purchase Agreements (PPAs) to be concluded in future against bids invited by DISCOMS have also been made eligible for linkage coal supply.

**Para B (i):** The Coal India Limited (CIL)/ the Singareni Collieries Company Limited (SCCL) may grant coal linkages to State / Central Gencos / Joint Ventures at notified price on the recommendations of the Ministry of Power.

**Para B (ii):** Linkages to Independent Power Producers (IPPs), having Long Term PPAs based on domestic coal, where IPPs, participating in auction, will bid for discount on the tariff (in paise/unit). The bidders, who could not participate in the linkage auction under B (ii) due to any reason, may be allowed to participate in the B (ii) auctions of this policy. Further, the bidders, who could not secure linkage for full ACQ, may obtain linkage for the balance quantity by participating in future auctions at a later stage under B (ii) after benchmarking discount.

**Para B (iii):** Linkages to IPPs/ Power Producers without PPAs shall be on auction basis.

**Para B (iv):** Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States. The States may indicate these linkages to DISCOMS/State Designated Agencies (SDAs).

**Para B (v):** Power requirement of group of States can also be aggregated and procurement of such aggregated power can be made by an agency, designated by the Ministry of Power or authorized by such States on the basis of tariff based bidding.

**Para B (vi):** Linkages shall be granted for full normative quantity to Special Purpose Vehicle (SPV) incorporated by nominated agency for setting up Ultra Mega Power Projects (UMPPs) under Central Government initiative through tariff based competitive bidding under the guidelines for determination of tariff, on the recommendation of the Ministry of Power.

**Para B (vii):** The Ministry of Coal, in consultation with the Ministry of Power, may formulate a detailed methodology of a transparent bidding process for allocating coal linkages to IPPs, having PPAs, based on imported coal with full pass through of cost savings to the consumers.

**Para B (viii):**

All such Power plants including private generators which do not have PPAs, shall be allowed coal linkage under SHAKTI Policy for a period of minimum 3 months and upto a maximum of 1 year, provided further

that the power generated through that linkage is sold through any product in power exchanges or in short term through a transparent bidding process through Discovery of Efficient Energy Price (DEEP) portal.

Use of the existing coal linkage for sale of power through short term PPAs using DEEP portal or power exchange by the generator, which terminates PPA in case of default in payment by the DISCOM, for a maximum period of 2 years or until they find another buyer of power under long /medium term PPA, whichever is earlier.

Coal linkage under B (v) is also applicable in cases, where the nodal agency designated by the Ministry of Power aggregates/procures the power requirement for a group of States even without requisition from such States.

Central and State generating companies can act as an aggregator of power of stressed power assets.

Mechanism to ensure servicing of debt.

New coal linkages for the coal produced by CIL and SCCL to the power sector are allocated under the SHAKTI Policy. This Policy balances the interests of CIL, SCCL as well as the power producers as it has various mechanisms for coal allocation, which includes auction mechanism (premium on the notified price of coal), and these auctions are conducted periodically by the coal companies.

This information was given by Union Minister of Coal and Mines Shri G. Kishan Reddy in a written reply in Rajya Sabha today.

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