

Cabinet approves Revised SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) Policy for Coal Allocation to Power Sector

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The Cabinet Committee on Economic Affairs chaired by the Prime Minister, Shri Narendra Modi has approved grant of fresh coal linkages to Thermal Power Plants of Central Sector/State Sector/ Independent Power Producers (IPPs). Following two windows have been proposed under the Revised SHAKTI policy:

A. Coal Linkage to Central Gencos/States at Notified price: **Window-I**

B. Coal Linkage to all Gencos at a Premium above Notified price: **Window-II**
Window-I (coal at notified price):

- i. Existing mechanism for grant of coal linkage to Central Sector Thermal Power Projects (TPPs) including Joint Ventures (JVs) & their subsidiary to continue.
- ii. Coal linkages to be earmarked to States and to an agency authorized by group of States as per existing mechanism, on the recommendation of Ministry of Power. Coal linkage earmarked to States may be utilized by States in its own Genco, Independent Power Producers (IPPs) to be identified through Tariff Based Competitive Bidding (TBCB) or existing IPPs having Power Purchase Agreement (PPA) under Section 62 of the Electricity Act, 2003 for setting up of a new expansion unit having PPA under Section 62.

Window-II (premium over notified price):

Any domestic coal-based power producer **having PPA or untied** and also Imported coal-based power plants (if they so require) can secure coal **on auction basis** for a period upto 12 months or for the period of more than 12 months **upto 25 years** by paying premium above the notified price and providing the power plants the flexibility to sell the electricity as per their choice.

Implementation strategy:

Directions would be issued to Coal India Limited (CIL)/ Singareni Collieries Company Limited (SCCL) for implementation of the aforesaid decisions. Besides, the concerned Ministries and all the States shall also be apprised of the revised SHAKTI Policy for further dissemination to the concerned Departments / Authorities and also to the Regulatory Commissions.

Major impact, including employment generation potential:

- i. **Simplification of the linkage process:** With the introduction of Revised SHAKTI Policy, existing eight paras, for coal allocation, have been mapped to only two Windows, in the spirit of ease of doing Business. Window-I (coal linkage at notified price) and Window-II (coal linkage at premium above notified price).
- ii. **Caters to the dynamic coal requirement of the Power Sector:** Revised SHAKTI Policy shall enable the Power Plants to plan for meeting their coal requirement depending upon their demand for Long-Term / Short – Term.
- iii. **Central Sector Thermal Power Projects (TPPs)** shall continue to get coal linkage on nomination basis on the recommendation of Ministry of Power, whereas, the linkages earmarked to the States on nomination basis on the recommendation of Ministry of Power may be utilized by the States in the State Generating Company.

- iv. **No requirement of PPA in Window-II:** Requirement of PPA has been entirely done away for selling the electricity generated through the coal secured under Window-II, thereby providing the power plants the flexibility to sell the electricity as per their choice.
- v. **Enabling Independent Power Producers (IPPs)/Private Developers for thermal capacity addition:** Allowing flexible linkage for new capacity addition with or without PPA with a tenure ranging from 12 months to 25 years will encourage IPPs to plan new thermal capacities, which will help in achieving the future thermal capacity addition.
- vi. **Promote Coal Import Reduction/Substitution:** Imported Coal Based (ICB) plants can secure domestic coal under Window-II, subject to the technical constraints of ICB plants, thereby reducing their import coal dependency. The benefits accrued, on account of import coal substitution, would be determined by Appropriate Regulatory Commission and passed on to the electricity consumers/beneficiaries.
- vii. **Preference to ‘Pithead’ power plants:** The revised SHAKTI Policy, besides supporting Brownfield expansion, will promote setting up of Greenfield Thermal Power Projects primarily at pithead sites i.e. nearer to the coal source.
- viii. **Linkage Rationalization:** With an aim to reduce the ‘landed cost’ of coal at thermal power plant end, coal source rationalization will be done. This will not only ease up railway infrastructure but would also ultimately result in reduced tariff for electricity consumers.
- ix. **Delegation of power:** – The revised SHAKTI Policy provides for delegation of powers for enabling minor changes, in the policy, at the level of concerned Ministries (MoC and MoP). Further, for dealing with operational/implementation issues, an “Empowered Committee” comprising of Secretary (Power), Secretary (Coal) and Chairperson, CEA is proposed.
- x. **Flexibility to Existing FSA holders:** Participation of existing Fuel Supply Agreement (FSA) holders beyond 100 % of their Annual Contracted Quantity (ACQ) of coal under Window-II will benefit power producers. Upon expiry of coal linkages secured under old policies, power producers [Central Gencos, State Gencos and Independent Power Producers (IPPs)] may apply under the present proposed revised policy, as applicable, to secure fresh linkages.
- xi. **Allowing Un-requisitioned Surplus in Power Markets:** This will enable sale of power generated through linkage coal in power markets. This will not only deepen power markets by increasing availability of power in power exchanges but will also ensure optimum utilization of generating stations.

Expenditure involved:

Revised SHAKTI Policy would not involve any additional cost to the coal companies.

No. of beneficiaries:

Thermal Power Plants, Railways, Coal India Limited / Singareni Collieries Company Limited, End Consumers and State Governments would be benefitted.

Background:

With the introduction of SHAKTI Policy, 2017, there was a paradigm shift of coal allocation mechanism from a nomination-based regime to a more transparent way of allocation of coal linkages through an auction / tariff-based bidding. Nomination based allocation continued only for the Central / State Sector power plants. SHAKTI Policy has been amended in 2019 on the recommendations of Group of Ministers. SHAKTI Policy was further amended in 2023. SHAKTI Policy has various Paras for allocation of a coal linkage to the various categories of Power Plants, subject to meeting the eligibility criteria. With the introduction of Revised SHAKTI Policy, existing eight Paras of the SHAKTI Policy, for coal allocation, have been mapped to only two Windows, in the spirit of ease of doing Business.

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