

Revised SHAKTI Policy for Coal Allocation to Power Sector

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The Cabinet Committee on Economic Affairs (CCEA) in the meeting held on 07.05.2025, chaired by the Prime Minister Shri Narendra Modi, has accorded its approval for the Revised SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) Policy for Coal Allocation to Power Sector. The Revised SHAKTI Policy adds to the series of coal sector reforms being undertaken by the Government.

With the introduction of SHAKTI Policy in 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 auction / tariff-based bidding. Now, the multiple paras of the SHAKTI Policy, for coal linkage, have been mapped to only two Windows in the Revised SHAKTI Policy, aligning with the spirit of ease of doing business, encouraging competition, efficiency, better use of capacity, seamless pit head thermal capacity addition and affordable power to the country.

The current revision with innovative features will further enhance the scope and impact of the SHAKTI policy and support the power sector through

- Greater flexibility Wider eligibility and Better accessibility to coal

The new policy will ensure coal linkage to all power producers leading to generation of more power, cheaper tariffs and an overall positive impact on the economy, thereby leading to increased employment generation potential. The reliable and affordable power supply to various sectors would catalyze economic activities and support the Atmanirbhar Bharat Initiative. The increased availability of domestic coal, in a simplified manner would also facilitate the revival of remaining stressed power assets. The linkage coal can now be used for generating power from Un-requisitioned Surplus (URS) capacity, for sale in power markets, which will not only deepen power markets by increasing availability of power in power exchanges but will also ensure optimum utilization of generating stations.

Further, the new linkages offered to the power sector would increase the coal availability for the power sector and increase the mining activities in the coal bearing regions resulting in generation of higher revenue to the State Governments which can be utilized for development of these regions and local population in general. The policy would encourage pit head thermal capacity addition and facilitate imported coal substitution in the Imported Coal Based (ICB) plants that can secure domestic coal thereby reducing their import coal dependency.

Following are the provisions of the Revised SHAKTI Policy.

For grant of fresh coal linkages to Thermal Power Plants of Central Sector/State Sector/ Independent Power Producers (IPPs), following two windows have been approved 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 subsidiaries would 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, IPPs to be identified through TBCB or existing IPPs having 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.

This Revised SHAKTI Policy would maximize domestic coal utilization, ensure seamless thermal capacity addition, reduce dependence for coal on global markets, reinforce nation's energy independence aligning with Government's push for Energy Security for All.

Shuhaib T

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