

COAL PRODUCTION, MARKETING & DISTRIBUTION

7.1 COAL PRODUCTION

7.1.1 The Coal production all over India during the period 1st January, 2013 to 31st March 2013 was 173.225 MT. During the period of 1st April, 2013 to 31st March 2014, the Coal production was 564.76 MT against the target of 604.55 MT and achieved 93.4% of the target.

7.1.2 The Singareni Collieries Company Limited (SCCL) produced 16.01 MT during the period of 1st January, 2013 to 31st March 2013. During the period of 1st April, 2013 to 31st March 2014, the Coal production was 50.47 MT against the target of 54.30 MT and achieved 92.9% of the target.

7.2 COAL DISTRIBUTION AND MARKETING

The Marketing Division of CIL plan, coordinate and monitor the marketing activities for all its Coal producing subsidiaries. CIL has a network of Regional Sales Offices at State Capitals to cater to the need of the consuming sectors in various regions.

7.3 LINKAGE COMMITTEES

7.3.1 Prior to introduction of New Coal

Distribution Policy (NCDP)' 2007, two types of Linkage Committees used to function for deciding the long term and short term availability of Coal and distribution to the consumers belonging to Cement, Power and Steel including sponge iron units.

- (i) Standing Linkage Committee (SLC) (Long-Term)
- (ii) Standing Linkage Committee (Short-Term)

7.3.2 However, with the introduction of NCDP and FSA regime in replacement of the linkage system, Standing Linkage Committee (Short-term), which used to allocate Coal to consumers of Power and Cement Sectors on quarterly basis, taking into account Coal production and logistics involved therein, is no longer making any allocation.

7.3.3 SLCs (LT) for Power Utilities including CPPs & IPPs, Cement and Sponge Iron consider requirement of Coal at planning stage and link the requirement in long term perspective from a rational source after examining factors like quality and quantity required, time frame, location of consuming plants, transport logistics, development plan for Coal mines etc.

7.3.4 The Long-Term Linkage Committee is presently being chaired by Additional Secretary, Ministry of Coal and has representatives from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Ministry of Railways, Ministry of Shipping, Central Electricity Authority, Coal India Limited, CMPDIL and SCCL.

7.3.5 New Coal Distribution Policy has introduced the concept of "Letter of Assurance" (LoA), which provides for assured supply of Coal to developers, provided they meet the stipulated milestones. Once the milestones, as stipulated in the LoA, are met by the developers, LoA holders are entitled to enter into Fuel Supply Agreements (FSAs) with the Coal companies for long-term supply of Coal. The Quantity of Coal to be supplied along with other commercial terms and conditions are covered in the FSA itself.

7.3.6 During the period mentioned in the Report, no SLC (LT) meeting took place for issuance of fresh Letters of

Assurance. However, 6 meetings were held to review the status of pending LoAs in Power, Steel & Sponge Iron and Cement Sectors.

7.4 ALLOCATION OF COAL TO POWER, CEMENT AND STEEL PLANTS.

7.4.1 The allocation of coking Coal to Steel plants was earlier made by the Coal Controller. However, after deregulation of coking Coal, the supplies of coking Coal are being made by the Coal companies themselves on the basis of linkages established by the SLC (LT) or on the basis of their existing commitments.

7.4.2 During Jan'2013-Mar'2014, CIL supplied the following quantities of Coal to various consumers (Table-'A')

Sector-wise coal off-take from SCCL during Jan, 2012 to March, 2013 the year 2012-13 (from April, 2012 to December, 2012) and anticipated for the remaining period (Jan. 2013 to March 2014) are as below (Table-'B')

Table - 'A' Coal India Limited

(Prov.) (in million tonne)

Sector	Targeted off take	Actual off take	Supply % against Target
Steel*	12.37	9.80	79
Power (Utilities) **	471.84	451.86	96
Captive Power	44.59	38.20	86

Cement	9.12	6.84	75
Fertilizer	3.59	2.85	79
Sponge Iron	15.39	10.73	70
Others	64.21	80.69	126
Colliery Consumption	0.62	0.49	78
Total	621.72	601.45	97

* includes coking Coal feed to washeries, direct feed, blendable to steel plants, coke ovens, private cokeries and NLW Coal to cokeries.

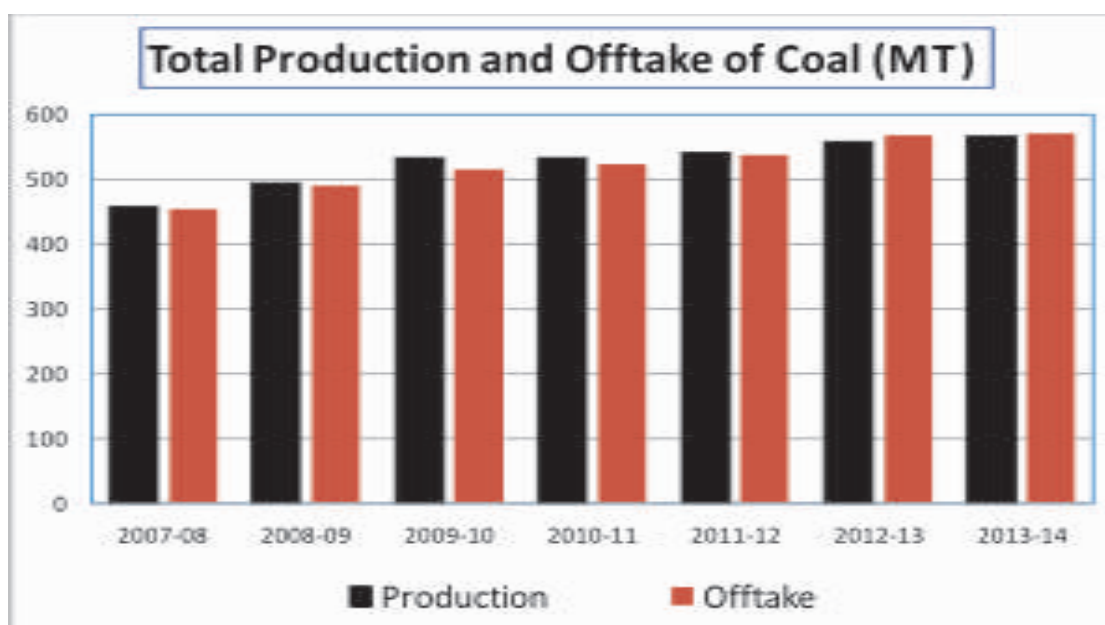
** includes non-coking Coal feed to washery and Bina Deshaling Plant for beneficiation

Table 'B'

SCCL

(Prov.) (in million tonne)

Sector	Jan. 2013-March, 2014	Jan. 2012-March, 2013	Growth (%)
Power (Utility & CPP)	48.19	53.33	(-) 9.64
Steel (Sponge Iron)	0.50	0.87	(-) 42.52
Cement	6.47	6.85	(-) 5.55
Fertilizer	-	-	-
Others	7.54	7.56	(-) 0.03
Colly. Cons.	0.06	0.08	(-) 25.0
Total	62.76	68.69	(-) 8.68



7.5 POWER HOUSES:

Off-take of Coal by thermal power stations during January, 2013-March, 2014 from CIL was 451.86 million tonnes registering 96 % materialization of target. Compared to same period last year, offtake has increased by 16.58 million tonnes, i.e. 3.8%. The actual Off-take of Coal to thermal power stations during January, 2013 to March, 2014 from SCCL was 48.19 MT against 53.33 MT during the same period in previous year, registering a decline of 9.64%.

7.6 CEMENT PLANTS:

The dispatch to cement plants from CIL during January, 2013-March, 2014 was 6.84 MT (provisional) as against 7.86 MT during the same period last year. The actual dispatch to Cement plants from SCCL during January, 2013 to March, 2014 is 6.47 MT as against 6.85 MT during the same period in previous year.

7.7 MODES OF TRANSPORT

Important modes of transport of Coal and Coal product in CIL are Railways,



Railway wagons loaded with coal proceeds for thermal power station

Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of Coal and Coal product during January, 2013-March, 2014 has been approximately as under:

S. No.	Modes of Transport	Share %
1	Railways (including Rail-cum-Sea)	54.8
2	Road	23.6
3	MGR	19.4
4	Belt – Conveyors/ Ropeways	2.2

Important modes of transport of Coal and Coal product in SCCL are Railways, Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of Coal and Coal product during Jan’ 2013- Mar’ 2014 has been approximately as under:

S. No.	Mode	Share (%)
1	Railways (including RCR)	61.52
2	Road	20.90
3	MGR	16.54
4	Rope	1.04



Belt Conveyor/Ropeway-One of important modes of transport of coal

7.8 PROGRESS MADE UNDER NEW COAL DISTRIBUTION POLICY (NCDP):

7.8.1 Prior to introduction of New Coal Distribution Policy in October, 2007, the consumers were broadly classified in two categories, Core and Non-Core Sector. The basis for earlier classifying consumers was solely based on their role in economic development. However, the erst-while classification of the consumers under New Coal Distribution Policy has been dispensed with.

7.8.2 Under this policy each sector/ consumers have been treated on merit, keeping in view the regulatory provisions applicable thereto.

7.8.3 For Power, cement and sponge iron sector the Standing Linkage Committee (long term) is authorized to recommend their Coal requirement. On the basis of such recommendation a Committee on Letter of Assurance (CLOA) at CIL issues Coal company wise allocation of quantity. Coal companies issue Letter of Assurance with specified milestones to be achieved by the LOA holder within stipulated period to become entitled for executing Fuel Supply Agreements (FSA) for Coal supply. Supply of Coal to all existing valid consumers has been brought under legally enforceable

Fuel Supply Agreements.

7.8.4 Progress made by implementing the provisions of NCDP is summarized below:

A. Coal India Limited

a) Linkage system has been replaced with Fuel Supply Agreement (FSA) and accordingly out of 1227 existing linked consumers, 1195 consumers had FSA. After implementation of NCDP in October, 2007, FSAs of the existing consumers were signed in 2008. Tenure of these FSAs being five years, many of the FSAs are expired and now are in the process of renewal. Till March, 2014, 875 consumers have valid FSA with the Coal companies in categories other than Power Utilities.

Sector-wise position of FSA under NCDP till March 2014 (Provisional) is as under:

Old existing Consumers (other than Power Utilities)	No of valid consumers	No of FSA signed
CPP	142	128
Sponge Iron	246	195
Cement	46	44
Paper	45	36
Aluminum	4	2
Briquette	66	20
SSF	83	53
Cokeries	149	146
Others	444	251
Total CIL	1225	875

- b) Out of 133 FSAs to be executed with Power Utilities existing as on 31.3.2009, a total of 129 FSAs were executed.
- c) Out of the SLC (LT) recommendations for issuance of LOA, up to March 2014 a total of 595 new consumers in power, sponge iron, CPP and Cement sector submitted CG & were issued LoA for completion of necessary milestones. 594 units submitted milestones and 435 units out of them concluded FSA. Other LoAs are at various stage of completion.
- d) For supply of Coal to SME sector, 8 MTs have been earmarked by CIL for allocation to agencies nominated by the State Govts/ Union Territories. Till 31st March, 2014, 18 States / UTs have sent their nomination for 24 State agencies for the year 2013-14 of which 18 State agencies have signed FSA for an aggregate quantity of 4.058 MT.
- e) CIL, in terms of a Presidential Directives issued in April 2012, modified the applicable model FSA revising the minimum assured level of supply (trigger level) from 50 % to 80% and tenure of the FSA from 5 years to 20 years for the Power Plants commissioning between 1.4.2009 and 31.3.2015 for aggregate capacity of 60,000 MW and having long term Power Purchase Agreements (PPAs) with the DISCOMs.
- f) Further to above, a second Presidential Directive was issue in July 2013 through which the list of eligible Power Plants were revised and an aggregate capacity of 78,000 MW was indicated for which FSA shall be executed in the revised model, with a rider that once the actual PPA linked capacity of 60,000 MW of power plants out of the said 78,000 MW becomes eligible for drawing Coal as per FSA, the actual supply schedule may be further reviewed
- g) As per the Presidential directive dated 17.07.2013, CIL was to sign FSAs with 172 TPPs having an aggregate capacity of 78,555 MW. Till 31.03.2014, a total of 160 FSAs have been signed with Power plants for an aggregate capacity of 72,575 MW and an annual contracted quantity of 221.6 MT. However, out of the said capacity, TPPs having capacity of 56, 937 MW have furnished long term Power Purchase Agreement (PPA) and qualify for commencement of Coal supply subject to commissioning, etc.

B. Singareni Collieries Company Limited (SCCL)

(a) Sector Wise Position of FSA under NCDP (upto 31-03-2014)

Sector	No. of linked consumers	No. of FSAs signed
Power (Major)	4	4
CPP	31	31
Sponge Iron	35	35
Cement	58	58
Others	248	248

(b) SCCL has issued LoAs for 28 No. of Units recommended by SLC (LT).

- LoAs converted into FSAs with Cement units – 9 Nos.
- LoAs converted into FSAs with Captive Power Plants – 13 Nos.
- Conversion into FSAs under progress – 2 Nos.
- Units not willing for issue of LoA under Cost Plus – 4 Nos.

7.9 DISTRIBUTION OF COAL TO SMALL & MEDIUM CONSUMERS:

7.9.1 Under NCDP, the State Governments/ Union Territories were entrusted the responsibility for distribution of Coal to consumers having requirement up- to 4200 MT per annum. The Coal is to be distributed through nominated agencies by the respective States/UTs. A total of 8 Million Tonnes have been earmarked annually for distribution through the State Nominated Agencies who would be drawing Coal after execution of FSA with the concerned Coal Company.

7.9.2 The price charged to such agencies would be the notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and margin up to 5%, as service charge, over and above the basic price charged by the Coal company, from their consumers.

7.9.3 18 states/UTs have nominated their agencies during the year 2013-14 for distribution of Coal to small scale industries. 24 State Agencies have been nominated, of which, 18 State Agencies have signed FSA for a quantity of 4.058 million tonnes.

7.10 FSAs WITH STATE AGENCIES UNDER NCDP AS ON 31.03.14

1	No of States / UTs	35
2	Quantity earmarked (lakh tonne)	80.0
3	No of States who nominated agencies for 13-14	18
4	Qty allocated to states/ nominated agencies (lakh tonne)	47.67
5	No of states drawing Coal under FSA so far	15
6	ACQ covered under FSA (lakh tonne)	40.58

7.11 E-AUCTION OF COAL

7.11.1 E-Auction in CIL

Coal is also being regularly sold through electronic auction (e-auction) route at a market driven price every month in accordance to the NCDP provision. e-auction is of two types- 'Spot e-auction' and Forward e-Auction. Spot e-auction is meant for all categories of buyers. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and could have assured supply of Coal over a longer period, generally one year. Each forward e-

Auction is for a period of 12 months consisting of 4 following quarters of 3 months each. Consumers have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders/consumers make bid at or above reserve price. While Spot e-Auction has been in operation since Nov' 07, Forward e-Auction commenced from Aug 09. Under e-auction channel Coal companies of CIL are entitled to offer around 10% of estimated annual production. Performance of e-Auction after implementation of NCDP is given as under

	Spot E-auction				Forward E-auction			
	Apr'12- Dec'12	Apr'13- Dec'13	Jan'13- Mar'13	Apr'13- Mar'14	Apr'12- Dec'12	Apr'13- Dec'13	Jan'13- Mar'13	Apr'13- Mar'14
No of Bidders	55596	63408	28057	84485	265	270	81	354
No of Successful bidders	30877	36586	17238	50937	185	175	71	239
Total Qty offered (L.Tonnes)	345.40	480.55	178.92	688.62	68.13	57.23	18.66	78.80
Total Qty allocated(L. Tonnes)	300.83	404.70	141.72	581.25	37.61	31.55	12.01	40.94
Notified Price of Total Allocated Qty (in ₹ Cr.)	5038.62	6576.13	2397.93	9281.04	550.58	326.21	106.05	444.46
Bid Price of Total Allocated Qty (in ₹ Cr.)	7816.10	8971.31	3332.42	12767.06	691.97	469.81	133.53	621.55
% increase over Notified Price	55.1	36.4	39.0	37.6	25.7	44.0	25.9	39.8

Company wise spot e-auction during Jan'2013-Mar'2014 (prov)

(In lakh tonnes)

Company	Offer Qty	Allocation Qty	% increase over notified price
ECL	71.37	54.85	21.6
BCCL	37.69	30.76	63.5
CCL	109.94	87.46	56.1
NCL	66.51	66.33	49.0
WCL	94.50	64.76	31.6
SECL	247.45	211.63	33.9
MCL	236.04	204.23	36.9
NEC	4.03	2.94	7.1
CIL	867.54	722.97	38.2

7.11.2 E-auction in SCCL

SCCL has started spot e-auction of Coal in December, 2007. The details of Coal sold by SCCL through spot e-auction during January, 2013 to March, 2014 are as follows:

Company	Offered Quantity	Sold Quantity	% increase over notified price
SCCL	8.25 LT	7.11 LT	31

SCCL is not conducting forward e-auction.

7.12 IMPORT OF COAL

7.12.1 As per the present Import Policy, Coal can be freely imported (under Open General License) by the consumers themselves considering their needs

and exercising their own commercial prudence

7.12.2 Coking Coal is being imported by Steel Authority of India Limited (SAIL) and other Steel Sector manufacturing units mainly to bridge the gap between the requirement and indigenous availability and to improve the quality. Coal based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and Coal traders import non-coking Coal. Coke is imported mainly by Pig-Iron manufacturers and Iron & Steel Sector consumers using mini-blast furnace.

7.12.3 Under notification no. 12/2012-customs, dated 17.03.2012 (S. No. 123 of the Table), Steam Coal falling

Import of Coal from 2005-06 to 2012-13 is as under :

(in Million Tonnes)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Coking Coal	16.89	17.88	22.03	21.08	24.69	19.48	31.80	32.56
Non Coking Coal	21.7	25.2	27.76	37.92	48.57	49.43	71.05	105.00
Coke	2.62	4.69	4.25	1.88	2.36	1.49	2.36	3.01
Total Import	41.21	47.77	54.04	60.88	75.62	70.4	105.21	140.57

(Source: Provisional Coal Statistics:

under sub-heading 27011920 attracts basic customs duty (BCD) at 2% and countervailing duty (CVD) at 2% as on date.

7.13 COAL CONSUMERS COUNCIL

Regional Coal consumer's councils have been set up in each Coal company for monitoring and redressing consumer's grievances/complaints. Moreover, National Coal Consumer's Council set up at CIL (HQ) acts as the apex body in such matters. In case reply on complaints is not received within one month or the complainant is not satisfied with reply provided by the Coal company, the matter may be referred to National Coal Consumer's

Council. These councils were reconstituted during 2010-11 with induction of many new members. A meeting of National Coal Consumer's Council was held on 7TH August 2013 at CIL Kolkata Besides the nominated council members; representative from Cement, Fertilizer & Brick Kiln Sector also attended the meeting.

CIL, in order to effectively address consumer grievances has introduced on-line grievance redressal mechanism that provides access to all buyers for lodging complaints/grievance through CIL websites. Guidelines for lodging complaints/applicable forms as well as status report of grievance etc. are also available for convenience of the buyer.