

CHAPTER

7



COAL DISTRIBUTION AND MARKETING

ANNUAL REPORT 2017-18

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Coal Distribution and Marketing

Allocation of coal to power, cement and steel plants.

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 MOU commitments. During the time Apr'17-Dec'17, CIL supplied the following quantities of coal to various sectors:

Coal India Limited

(Prov.) (Fig in MT)

| Sector | AAP Targeted off take | Actual Off take | Supply % against Target |
|-----------------------|-----------------------|-----------------|-------------------------|
| Steel* | 5.96 | 4.11 | 69% |
| Power (Utilities) ** | 325.35 | 331.44 | 102% |
| Captive Power *** | 36.32 | 29.02 | 80% |
| Cement | 5.11 | 2.95 | 58% |
| Sponge Iron | 7.12 | 5.52 | 78% |
| Others | 52.07 | 48.17 | 93% |
| TOTAL DESPATCH | 431.93 | 421.22 | 98% |
| Colliery Consumption | 0.17 | 0.19 | 109% |
| Total | 432.11 | 421.41 | 98% |

* : includes coking coal feed to washeries, direct feed and blendable to steel plants.

** : includes non-coking coal feed to washery and Bina Deshaling Plant for beneficiation and special forward e-auction to power

***: Captive Power includes dispatches to fertilizer sector

Sector wise Coal Off take from SCCL

Sector-wise coal off-take from SCCL during the year 2017-18 (from April '17 to December'17) and anticipated for the remaining period (Jan. 2018 to March 2018) are as below:

Sector wise coal off take:

(In Million Tonnes)

| Sector | April – December 2017 | April – December 2016 | Growth (%) | January – March 18 (anticipated) | 2017-18 (Anticipated) |
|---------------------|-----------------------|-----------------------|-------------|----------------------------------|-----------------------|
| Power (utility) | 38.89 | 36.46 | 6.68 | 14.99 | 53.88 |
| Power (CPP) | 2.03 | 1.25 | 61.95 | 0.75 | 2.78 |
| Steel (SI) | 0.160 | 0.06 | 183.93 | 0.15 | 0.31 |
| Cement | 1.87 | 1.48 | 26.15 | 0.70 | 2.57 |
| Others | 3.91 | 3.45 | 13.44 | 1.54 | 5.46 |
| Total : SCCL | 46.86 | 42.70 | 9.75 | 18.14 | 65.00 |

Power Houses

Off-take of coal to power sector during Apr'17-Dec'17 against AAP from CIL was 331.44 million tonnes registering 102% materialization of target. Compared to same period last year, offtake has increased by 23.2 million tonnes, with a growth of 7.5 %.

Cement Plants

The dispatch to cement plants from CIL during Apr'17-Dec'17 was 2.95 million tonnes (provisional) as against 2.64 million tonnes during the same period last year. Compared to same period last year, dispatch has increased by 0.31 million tonnes, with a growth of 11.9 %.

Distribution of coal to small, medium and other consumers

Under NCDP, the State Governments/ Union Territories were entrusted the responsibility for distribution of coal to consumers having requirement upto 10,000 tons per annum. The coal is to be distributed through agencies nominated 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.

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.

During the year 2017-18 (till 31st December'17) for distribution of coal to small, medium and other consumers 14 states have nominated 18 State Agencies, of which 09 Agencies have signed FSA for a quantity of 2.02 million tonnes.

E-Auction of coal

Coal India Limited

Coal is being regularly sold through electronic auction (e-auction) route at a market driven price in accordance to the NCDP provision. Currently, CIL is conducting e-auction under different schemes as below:

- Spot E-Auction: Under this scheme, any Indian buyer can procure coal through a consumer friendly single

window in a simple and transparent manner for their own consumption or for trading. Spot E-auction is in operation from Nov'07

- Special Spot E-Auction: Special Spot E-Auction was introduced during 2015-16. Any Indian buyer including traders can buy coal under Special Spot E-Auction with longer validity period of lifting.
- Special forward E-Auction: Special forward E-Auction was introduced in the year 2015-16 to make the coal available to the power producers with flexible period of lifting.
- Exclusive E-Auction: Exclusive E-Auction was introduced in the year 2015-16 for non-power consumers including CPP with flexible period of lifting.

Performance of different E-Auction schemes from 2015-16 to 2017-18 (till December) is as below:

| 2017-18 (April-December) | | | | | | |
|--------------------------------------|-------|--------------|---------------------------|-------------------------|--------------|-------|
| Auction | Spot | Forward | Special Forward for Power | Exclusive for Non-power | Special Spot | TOTAL |
| Total Qty allocated (in Mill Tonnes) | 40.8 | Discontinued | 27.4 | 10.7 | 0.35 | 79.4 |
| Total Notified Value (in Crore Rs.) | 5705 | | 3175 | 1625 | 50 | 10555 |
| Total Booking Value (in Crore Rs.) | 9453 | | 3974 | 2078 | 60 | 15565 |
| Increase over Notified Value(in %) | 65.7% | | 25.1% | 27.9% | 19.5% | 47.5% |
| 2016-17 | | | | | | |
| Total Qty allocated (in Mill Tonnes) | 53.7 | 0.29 | 47 | 6.3 | 6.2 | 113.6 |
| Total Notified Value (in Crore Rs.) | 7421 | 88 | 4949 | 854 | 895 | 14207 |
| Total Booking Value (in Crore Rs.) | 9288 | 88 | 5734 | 933 | 1075 | 17118 |
| % increase over Notified Value | 25.2% | 0.8% | 15.9% | 9.3% | 20.1% | 20.5% |
| 2015-16 | | | | | | |
| Total Qty allocated (in Mill Tonnes) | 57.4 | 5.9 | 13.8 | 1.5 | | 78.6 |
| Total Notified Value (in Crore Rs.) | 7649 | 705 | 1091 | 163 | | 9607 |
| Total Booking Value (in Crore Rs.) | 10230 | 913 | 1472 | 214 | | 12829 |
| % increase over Notified Value | 33.7% | 29.4% | 35.0% | 31.5% | | 33.5% |

Special auction for Power

Special Forward E-Auction for Power producers was launched in 2015-16 which is continued in 2017-18 for making the coal available to the power consumers who are in need of coal. For the period of April-December 2017, around 27.4 MT coal was booked by Power consumers under this scheme.

Special Spot E-auction

Under the scheme, about 0.35 MT coal was allocated for the period April-December 2017.

Exclusive auction for Non-Power

Exclusive E-Auction Scheme for non-power consumers was launched in 2015-16 to make coal available to non-power

consumers (including CPPs). The scheme has been continued in the year 2017-18 wherein a quantity of 10.7 MT has been booked during the period April-December 2017.

Performance of different E-Auction schemes in 2017-18 (till December) is as below:

| 2017-18 (April-December) | | | |
|--------------------------------------|---------------------------|-------------------------|--------------|
| Auction | Special Forward for Power | Exclusive for Non-power | Special Spot |
| Total Qty allocated (in Mill Tonnes) | 27.4 | 10.7 | 0.35 |
| Total Notified Value (in Crore Rs.) | 3175 | 1625 | 50 |
| Total Booking Value (in Crore Rs.) | 3974 | 2078 | 60 |
| Increase over Notified Value (in %) | 25.1% | 27.9% | 19.5% |

E-Auction of coal 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 the period from April, '17 to Dec, '17 are as follows:

| Company | Offered Quantity (Tonnes) | Sold Quantity (Tonnes) | % increase over notified price |
|---------|---------------------------|------------------------|--------------------------------|
| SCCL | 4678650 | 2658399 | 27% |

MODES OF TRANSPORT

Important modes of transport of coal and coal product in CIL 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 Apr'17- Dec'17 has been approximately as under:

| Sl | Modes of Transport | Share % |
|----|------------------------------------|---------|
| 1 | Railways (including Rail –cum-Sea) | 55% |
| 2 | Road | 26% |
| 3 | MGR | 17% |
| 4 | Belt – Conveyors/ Ropeways | 2% |

PROGRESS MADE UNDER NEW COAL DISTRIBUTION POLICY (NCDP)

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 erstwhile classification of the consumers under New Coal Distribution Policy has been dispensed with.

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

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.

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

Coal India Limited

Linkage system was replaced with a system of Fuel Supply Agreement (FSA). After implementation of NCDP in October 2007, FSAs of existing consumers were signed in 2008. Tenure of these FSAs being 5 years, many of the FSAs expired. Some of them are renewed or in the process of renewal. Till Dec'17, there are 677 consumers having FSA with coal companies in categories other than Power Utilities.

Sector-wise position of Non-Power FSAs (both under existing and LOA route) executed under NCDP till Dec'17 (Provisional) is as under:

| Sector | Existing (Pre NCDP) | Through LOA route | Total |
|-------------|---------------------|-------------------|-------|
| CPP | 104 | 39 | 143 |
| Sponge Iron | 208 | 91 | 299 |
| Cement | 40 | 21 | 61 |
| Paper | 36 | | 36 |
| Aluminum | 2 | | 2 |
| Briquette | 15 | | 15 |
| SSF | 44 | | 44 |
| Cokeries | 107 | | 107 |
| Others | 121 | | 121 |
| Total CIL | 677 | 151 | 828 |

No new FSAs for non-power sector under NCDP were executed in the calendar year 2017, however, FSA executed under the auction of coal linkages/LoAs to non-regulated sector has been given separately.

For Power Sectors, 121 FSAs under pre-2009 TPPs are valid as on date.

As per the Presidential Directives dated 17.07.2013, CIL was to sign FSAs with 173 TPPs for the aggregated capacity of 78535 MW, out of these, 24 cases covered under Tapering Linkages ceases to exist as per MOC OM dated 30.06.2015. For 3 cases FSAs could not be signed for the reasons not attributable to CIL. In 2 cases, the category of the units have been changed from CPP to IPP and 1 case have been transferred to SCCL, therefore, as on date, the number of valid FSAs for Post-NCDP Power plants are 143, having an aggregated capacity of 66625 MW for the Annual Contracted Quantity (ACQ) of 227 MT.

No New FSAs has been signed under the Presidential Directive dated 17.07.2013.

However due to submission of PPA, the FSA quantity has been increased to 227 MT from the earlier quantity of 218.55 MT

For supply of coal to small, medium and other consumers (whose requirement is less than 10,000 tons per annum), 8 million tonnes have been earmarked by CIL for allocation to agencies nominated by the State Govts. / Union Territories. Till 31st December'2017, 14 states have sent their nomination for 18 State agencies for the year 2017-18 of which 09 state agencies have signed FSA for an aggregate quantity of 2.02 million tonnes

Import substitution

Under the guidance of Ministry of Coal, CIL has taken initiative for substitution of imported coal with domestic coal. Coal India, in this pursuit, organized one-to-one interactions with Power Generators to devise modalities as per suitability of each Power Station.

As reported by CEA, the efforts of the Government have resulted into reduction of import by domestic coal based power plants (State/central Gencos and IPPs) from 37.2 Mt in 2015-16 to 19.9 Mt in 2016-17. In the current fiscal, till November'17, imports by them have been 11.77 Mt against 14.53 Mt during the same period last year.

NEW POLICIES FURTHER TO NCDP

Linkage Auction for Non-Regulated Sector Consumers

CIL has been conducting Auction of Coal Linkages for Sponge Iron, Cement, CPP, 'Others (non-coking)', Steel (coking) and 'Others (coking)' sub-sectors under Non-Regulated Sector in accordance with the policy guidelines dated 15.02.2016 issued by Ministry of Coal. The auction has been envisaged as a transparent system of linkage allocation which is based on competitive bidding. Various consumer friendly measures such as 3rd party sampling, exit option, no performance incentive, delivery from specified mine/siding, back-up mine in the event of Force Majeure, etc. have also been introduced. The tenure of the FSA is 5 years which can be further extended by another 5 years on mutual agreement. Three tranches of auction have already been concluded whereby 45.18 Mt of annual coal linkages have been booked at an average premium of 9.64% over non-power notified price. The performance report is placed below.

| Sub-sector | Tranche – I (Jun'16 to Oct'16) | | Tranche – II (Jan'17 to Jun'17) | | Tranche –III (Sep'17 to Nov'17) | | Total | |
|-----------------|-----------------------------------|--------|------------------------------------|--------|------------------------------------|--------|------------------------|--------|
| | Quantity booked (MTPA) | % gain | Quantity booked (MTPA) | % gain | Quantity booked (MTPA) | % gain | Quantity booked (MTPA) | % gain |
| Sponge Iron | 2.05 | 0.51% | 4.29 | 10.10% | 2.54 | 7.20% | 8.88 | 7.55% |
| Cement | 0.68 | 0.16% | 0.77 | 0.90% | 0.12 | 0.00% | 1.57 | 0.56% |
| CPP | 18.07 | 8.97% | 8.18 | 14.85% | 4.59 | 22.05% | 30.84 | 12.68% |
| Others | 1.34 | 0.76% | 1.27 | 5.14% | 0.67 | 10.60% | 3.28 | 4.50% |
| Steel (coking) | -- | -- | 0.22 | 0.00% | 0.00 | -- | 0.22 | 0.00% |
| Others (coking) | -- | -- | 0.04 | 0.00% | 0.36 | 2.97% | 0.39 | 2.68% |
| Total | 22.14 | 6.95% | 14.76 | 10.60% | 8.28 | 13.37% | 45.18 | 9.64% |

* % gain over non-power notified price

SHAKTI, 2017 (Linkage to Power Sector)

In consideration of the stressed assets in new power projects not having any long term linkages, on 17.05.2017, Cabinet Committee on Economic Affairs (CCEA) approved a new policy for allocation of future coal linkages in a transparent manner for such power sector consumers. This policy is known as 'Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India' (SHAKTI). The policy is an important initiative in addressing a key challenge in power sector i.e. lack of coal linkage and is expected to positively contribute in resolution of a number of stressed assets. Ministry of Coal (MoC) circulated the policy guidelines vide their letter dated 22.05.2017. The salient features of the policy are:

A) Under the old regime of LoA-FSA

- i. FSA may be signed with the pending LoA holders after ensuring that the plants are commissioned by 31.03.2022.
- ii. The 583 pending application for LoA may be closed.
- iii. The capacities totaling 68000 MW as per CCEA decision dated 21.06.2013 would continue to get coal at 75% of ACQ even beyond 31.03.2017.
- iv. About 19000 MW capacity out of 68000 MW, which could not be commissioned by 31.03.2015, may be allowed coal

supply under FSA at 75% of ACQ provided these plants are commissioned within 31.03.2022.

- v. Actual coal supply to power plants shall be to the extent of long term PPA and medium term PPAs to be concluded in future against bids to be invited by Discoms as per bidding guidelines issued by MoP.

With these, the old regime of LoA-FSA would come to finality and fade away.

B) Following to be considered under new more transparent coal allocation policy for power sector, 2017-SHAKTI (Scheme for Harnessing and Allocating Koyala (coal) Transparently in India)

- i. CIL/ SCCL may grant coal linkages to State/Central Gencos/JVs at notified price on recommendations of Ministry of Power.
- ii. Linkages to IPP having PPA based on domestic coal but no linkage:
 - a. shall be on auction basis where bidders shall quote discount on tariff
 - b. Bid Evaluation Criteria shall be the non-zero Levellised Value of the discount

- iii. Linkages to IPPs/ Power Producers without PPAs shall be on auction basis where methodology would be similar to that followed under linkage auction to non-regulated sector i.e. the bidders would bid for premium above the notified price of the coal company.
- iv. Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States. States may indicate these linkages to Discoms/ SDAs.
- 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 Ministry of Power or authorized by such States on the basis of tariff based bidding.
- 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 (UMPP) under Central Government initiative through tariff based competitive under the guidelines for determination of tariff, on the recommendation of MoP.
- vii. MoC in consultation with MoP 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 saving to consumers.

Status of Implementation

- Under A(i) of SHAKTI Policy, 2 FSAs have been signed and under B(i) 1 FSA has been signed till 31st December, 2017.
- Linkage auction under para B(ii) of SHAKTI policy has been conducted in Sep'17 whereby 27.18 Mt of annual coal linkage has been booked by successful bidders. The implementation of linkage auction under para B(iii) of SHAKTI policy is presently underway.

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

In keeping with technological innovations and newer methods of communication, On-line Grievance Management System (OLGMS) had been introduced by CIL some years back to facilitate e-filing of complaints. A customized web-site for such purpose was developed. Subsequently, CIL adapted Centralized Public Grievance Redress And Monitoring System (CPGRAMS) which was designed and developed by National Informatics Centre (NIC). PG Portal of CPGRAMS is used as single window for receipt and disposal of grievances in CIL & its subsidiaries. After successful adaptation of the CPGRAMS, OLGMS was phased out to avoid duplication of work. The link for PG portal has been provided in the web site along with list of nodal officers and their contact details. The complaints and its response are regularly monitored/reviewed by Grievance Redressal Committee (GRC). The system also generates SMS alert for nodal officers whenever a complaint relating to their department is received. Action is taken to redress the grievance without delay and communication is made to complainant with appropriate response. Wherever interim reply is required, such reply is also sent to the complainant.

In case complaints/ grievance relate to coal companies, Nodal officer forwards the same to respective coal companies for their comments/ action. Soon after receipt of comments/ status, the complainant is suitably informed, thus closing the issue. In case the same relates to working of some other department of CIL, the same is forwarded to the concerned department. Grievances/complaints received on-line are thus being dealt and disposed off expeditiously and efficiently under the above system.