

Pricing of Coal

Prior to 1.1.2000 the Central Government was empowered under section 4 of the Colliery Control Order, 1945, as continued in force by the Essential Commodities Act, 1955, to fix the grade-wise and colliery-wise prices of coal. The prices of the administered grades of coal were last revised w.e.f. 17.6.94. The price notification had been amended in December 1995, January 1996 and April 1996 to enhance the differential between run of mine, steam and slack coal, to meet the increase in transportation charges and also to provide for additional prices for coal produced from Ramagundam OCP of SCCL and Rajmahal OCP of Eastern Coalfields Limited, respectively.

2 Following the recommendations of Bureau of Industrial Costs and Prices (BICP), a decision was taken by the Government to deregulate the prices of all grades of coking coal and A, B, & C grades of non-coking coal and this decision was implemented with effect from 22.3.96. Subsequently in consideration of a recommendation of the Committee on Integrated Coal Policy, the Government decided to de-regulate the prices of soft coke, hard coke and D grade of non-coking coal and this decision was implemented with effect from 12.3.97.

3 The Government also decided to allow CIL and SCCL to fix prices of E, F and G grades of non-coking coal once in every six months by updating the cost indices as per the escalation formula contained in the 1987 report of the BICP and necessary instructions to this effect were issued to CIL and SCCL on 13.3.97.

4 The pricing of coal was fully deregulated after the Colliery Control Order, 2000 was notified with effect

from 1st January 2000 in suppression of the Colliery Control Order, 1945. Under the Colliery Control Order, 2000 the Central Government has no power to fix the prices of coal.

5 However, the Ministry of Power has been writing to the Department of Coal that in the absence of a regulatory mechanism, the prevailing monopoly situation in the coal market will lead to arbitrary increase in price levels affecting adversely the cost of generation and thereby electricity tariff which has direct impact on the national economy. The Ministry of Power has been pressing for appointing an independent regulatory body for price determination. Several State Governments and State Electricity Boards/ Undertakings have also raised the issue.

6 In view of the above, the Tariff Commission is being involved in pricing of coal for the Power Sector and to suggest modalities for pricing of coal for other sectors.

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