

Coal Production, Marketing & Distribution

7.1 Coal Production

7.1.1 Coal India Ltd. and its subsidiaries are the major producer of coal. 299.52 Million Tonnes of coal was produced by Coal India Ltd. and its subsidiary companies during April 2010 to December 2010 as against the production of 295.51 Million Tonnes during the same period for the year 2009-10 showing a growth of 1.4%.

7.1.2 Singareni Collieries Company Limited is the main coal producer in southern India. SCCL has produced 45.873 MT during the period from April 2010 to Feb. 2011 as against 45.552 MT during the corresponding period last year. It is anticipated that by the end of March 2011, the total production would be 50.50MT.

7.2 Coal Distribution And Marketing

The Marketing Division of CIL coordinates marketing activities for all its subsidiaries. CIL has set up Regional Sales Offices and Sub-Sales Offices at selected places in the country to cater to the needs of the consuming sectors in various regions.

7.3 Linkage Committees

7.3.1 Prior to introduction of New Coal Distribution Policy (NCDP), 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 (Short-Term) SLC (ST)
- (ii) Standing Linkage Committee (Long-Term): SLC (LT)

7.3.2 With the introduction of NCDP and FSA regime in replacement of linkage system, Standing Linkage Committee (Short-term) has been abolished in July, 2010.

7.3.3 SLC (LT) for Power Utilities including CPPs & IPPs, Cement and Sponge iron considers requirement of coal at planning stage and links 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 mine etc.

7.3.4 The Long-Term Linkage Committee is presently being chaired by Special Secretary, Ministry of Coal and has representatives from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Ministry of Railways, Department of Shipping, Central Electricity Authority, Coal India Limited, CMPDIL and Singareni Colliery Company Limited (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 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 year 2009-10, the Committee has recommended issuance of Letters of Assurance (LOA) to consumers of Power sector as per details given below :-

Name of the Sector	Number of applications approved	Capacity approved
Power utilities	11	5690 MW
IPPs	23	12449MW
CPPs	57	3325 MW
Total	91	21264 MW

During the current year 2010-11 (as on 31st December, 2010), SLC (LT) has recommended grant of LoA for 13 IPPs for approved capacity of 5560 MW.

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 the year 2010-11 till 31st December 2010, CIL and SCCL supplied following quantities of coal to various consumers:-

Coal India Limited

(in Million Tonnes)

Sector	Targeted Off take	Actual Off take	Supply % against Target
Power (Utilities) *	240.14	221.00	92.0
Sponge Iron	10.03	9.66	96.3
Steel**	6.63	5.79	87.3
Cement including CPP	5.39	7.71	143.0
Fertilizer	2.16	2.04	94.4
Others	74.07	63.87	86.2
Colly Cons	0.50	0.39	78.0
Total	338.92	310.46	91.6

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

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

Singareni Collieries Company Limited (SCCL)

(in million tonnes)

Sector	April '10 to Feb.'11	April '09 to Feb.'10	Growth (%)	March 2011 (anticipated)	Total anticipated
Power (utility & CPP)	32.420	33.016	- 1.8	3.500	35.920
Steel (Sponge Iron)	1.425	1.315	8.36	0.130	1.555
Cement	6.644	6.594	0.76	0.500	7.144
Fertilizer			-	-	
Others	4.463	3.767	18.47	1.328	5.791
Colliery Construction	0.089	0.096		0.001	0.090
Total	45.041	44.788	0.58	5.459	50.50

7.5 Power Houses

Off-take of coal by thermal power stations during the year 2010-11 (April-Dec) from CIL was 221.00 million tonnes registering 92.0 % materialization of target. Compared to same period last year, dispatch has also been up by 3.12 million tonnes which in terms of % increase comes to 1.43 %

7.6 Cement Plants

The dispatch to cement plants including their captive power plants, from CIL during 2010-11 (April-Dec) was 7.71 million tonnes as against 7.20 million tonnes during the same period last year which in terms of % increase comes to 12.29 %

7.7 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 products during the current fiscal (Apr 2010 - Dec 2010) has been approximately as under :-

Sl. No	Modes of Transport	Share %
1	Railways (including Rail-cum-Sea)	51
2	Road	26
3	MGR	20

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 erstwhile classification of the consumers under New Coal Distribution Policy has been dispensed with. The policy was formulated in view of the directions of the Apex Court and came into force w.e.f. 18.10.2007.



Railway Siding for Coal

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 Earlier Standing Linkage Committee (Long Term) inter alia, granted long-term coal linkage to power utilities, IPP, CPP and Cement Units with firm commitment of the coal quantity and the identified sources of coal supplies. However, it was observed that many of the power projects, which were granted long-term coal linkage, did not come up as planned resulting in preemption of coal linkage. Therefore, under New Coal distribution Policy it was decided to introduce the concept of “Letter of Assurance” (LoA), which provides for assured supply of coal to developers, provided they meet stipulated milestones.

Once the milestones as stipulated in the LoA are met by the LoA holders, they are entitled to enter into Fuel Supply Agreements (FSA) for long-term supply of coal.

7.8.4 Progress made by CIL/SCCL in implementing the provisions of NCDP 2007 is summarized below :

- (a) Classification of consumers into core and non-core sector has been dispensed with
- (b) Linkage system has been replaced with Fuel Supply Agreement (FSA) and accordingly out of 1219 existing valid linked consumers, 1184 consumers have executed FSA with the coal companies in categories other than Power Utilities. Sector-wise position of FSA under NCDP as on 31.12.10 is given below :-

Old Consumers	No of Linked consumers	No of FSA signed
CPP	143	142
Sponge Iron	246	240
Cement	46	46
Paper	45	45
Aluminum	4	3
Briquette	64	64
SSF	82	82
Cokeries	148	147
Others *	441	415
Total CIL	1219	1184

* Others exclude power utility

- (c) Out of 133 FSAs to be executed with existing power stations, 117 FSAs have been executed. In addition, 22 units have executed MOUs and are drawing coal
- (d) The process for issuance of LOA in respect of all new consumers who have been recommended by SLC (LT) up to December 2010 has been implemented. 655 new consumers in power, sponge iron, CPP and cement sector were served notices with a request to deposit commitment guarantee of which 538 units submitted CG. 537 units have been issued LOA for completion of necessary milestones. 264 units have completed milestones and executed FSAs. Remaining units are under process of execution of FSAs.
- (e) For supply of coal to Small and Medium Consumers sector, 8 million tonnes have been earmarked by CIL for allocation to agencies nominated by the State Govts / UTs. So far, 21 States / UTs have sent their nomination of 28 state agencies for the year

2010-11 of which 23 state agencies have signed FSA for 4.0 million tonnes and are drawing coal accordingly

- (f) Steps have been taken to enforce discipline and economy in use of coal as per NCDP directions, including incorporation of necessary clause in FSA stating that Purchaser shall not sell/divert and/or transfer the Coal for any purpose whatsoever and the same shall be treated as material breach of Agreement followed by termination of Agreement without any liabilities or damages, whatsoever, payable to the Purchaser.

Singrani Collieries Company Limited

- (a) Sector wise position of FSAs under NCDP (upto 28.02.2011)

Sector	No. of linked consumers	No. of FSAs signed
Power (Major)	4	3
CPP	31	31
Sponge Iron	54	54
Cement	61	61
Others	217	217

- (b) SCCL has issued LOAs for 26 No. of units recommended by SLC (LT).

- LOAs converted into FSAs with Cement units - 9 Nos.
- LOAs converted into FSAs with Captive Power Plant - 13 Nos.
- Conversion into FSAs under progress - 1 No.
- Units not willing for issue of LOA under cost plus - 4 Nos.

7.9 Distribution of Coal to Small & Medium Consumers

7.9.1 The New Coal Distribution Policy also specifically addresses the issue of supply of coal to consumers in small and medium sector since the classification of the consumers as core and non core sector has been dispensed with under the New Coal Distribution Policy.

7.9.2 Under this policy, the State Governments are required to work out genuine requirement of such units in small and medium sector like smokeless fuel, brick kilns, coke oven units etc in a transparent and scientific way and distribute coal to them accordingly. The State Governments may take appropriate steps to evaluate the genuine consumption and monitor use of coal. The cap has also been enhanced to 4200 tonnes per annum from 500 tonnes for the targeted consumers under this category. In order to meet the enhanced cap fixed for such consumers, the quantity earmarked for distribution by state nominated agencies has been kept at 8 mill tonne of coal annually. The quantity would be allocated for distribution to those units/ consumers in small and medium sector across the country whose requirement is less than 4200 tonne per annum, and are otherwise not having any access to purchase coal or conclude Fuel Supply Agreement (FSA) with coal companies

7.9.3 The earmarked quantity would be distributed through agencies notified by

the state governments. These agencies could be State Govt. Agencies / Central Govt. Agencies (National Co-operative consumers Federation (NCCF)/National Small Industries Corporation (NSIC) etc) or industries association, as the State Govt. may deem appropriate. The agency so notified. would be required to enter into FSA with coal company. The agency so notified will continue to distribute coal until the State Govt. decides to de-notify it.

7.9.4 The FSA would be based on firm commitment and compensation for default in performance on either side. The State Government/Central Govt. agencies would be free to devise their own distribution mechanism. However the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

7.9.5 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 upto 5% margin as service charge, over and above the basic price charged by the coal company, from their consumers.

7.9.6 So far, 21 states / UTs have nominated their agencies during the year 2010-11 for distribution of coal to small scale industries. 28 state agencies have been nominated, of which 23 state agencies have signed FSA for a quantity of 4.0 mill tonnes.

7.10 FSAs with State Agencies under NCDP as on 31.12.2010

1	No of States / UTs	35
2	Quantity earmarked (lakh tone)	80.00
3	No of States who nominated agencies for 09-10	21
4	Qty allocated to states/nominated agencies (lakh tone)	57.63
5	No of states drawing coal under FSA so far	19
6	ACQ covered under FSA (lakh tone)	40.02

7.11 E-Auction of Coal

7.11.1 E-Auction of Coal in CIL : New Coal Distribution Policy (NCDP) issued by GOI on 18.10.2007 paved way for launching of a fresh scheme for sale of coal through E auction. E auction are of two types - Spot E auction and Forward E Auction. Spot E auction is almost similar to the old E Auction scheme introduced

earlier prior to NCDP, where an intending buyer can participate in auction. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and have assured supply over a long period of one year. Each Forward e-Auction shall be for a period of 12 months consisting of 4 following quarters of 3 months each. Consumers will have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders/consumers are to make bid at or above reserve price. While Spot E Auction has been in operation since Nov 2007, Forward E Auction commenced from Aug 09. Forward E Auction could not be started earlier due to difficulties in implementing certain terms and conditions incorporated in the scheme which were subsequently resolved. Around 10% of estimated annual production of CIL would be offered under e-auction. Performance of E Auction after implementation of NCDP is given as under :-

	Spot E Auction					Forward E Auction
	Nov07-Mar08	Apr08-Mar09	Apr09-Mar'10	Apr'10-Dec'10	Apr09-Mar'10	Apr'10-Dec'10
No of Bidders	27954	73248	78155	51817	22	211
No of Successful bidders	14069	43428	40848	31637	22	166
Total Qty offered (L.Tonnes)	174.996	919.575	541.392	377.36	48.980	241.74
Total Qty allocated (L.Tonnes)	155.695	488.744	457.321	323.64	5.535	43.35
Notified Price of Total Allocated Qty (in Rs.Cr.)	1382.935	4577.918	4528.956	3373.25	58.729	361.21
Bid Price of Total Allocated Qty (in Rs. Cr.)	2511.35	7237.114	7238.48	6106.34	117.473	752.38
% increase over Notified Price	81.6	58.1	59.8	81.0	100.025	108.3

Company wise Spot E Auction during Apr.2010-Dec, 2010

(Fig in lac tonne)

Company	Offer Qty	Allocation Qty	% increase on notified price
ECL	41.69	8.01	48.0
BCCL	23.21	22.24	62.0
CCL	44.84	36.42	65.5
NCL	11.76	11.55	90.8
WCL	41.10	40.22	76.5
SECL	74.02	73.31	121.9
MCL	137.55	130.12	74.3
NEC	3.20	1.76	64.7
CIL	377.36	323.64	81.0

7.11.2 E-Auction of coal in SCCL

December, 2007. The details of coal sold by SCCL through spot E-Auction during the period from April,'10 to Feb,'11 are as follows :-

SCCL has started spot E-Auction of coal in

Company	Offered Quantity	Sold Quantity	% increase on notified price
SCCL	28.51 LT	23.94 LT	47

7.12 Import of Coal

7.12.1 As per the present Import Policy, coal can be freely imported (under Open General Licence) 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 powerplants, 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. Details of import of coal and products during the last five years are as under :-

(Fig in Million Tonnes)

	2005-06	2006-07	2007-08	2008-09	2009-10
Coking Coal	16.89	17.88	22.03	21.08	23.46
Non Coking Coal	21.70	25.20	27.76	37.92	44.28
Coke	2.62	4.69	4.25	1.88	2.20
Total Import	41.21	47.77	54.04	60.88	69.94

7.12.3 Currently while import duty on coking coal is nil, import duty on non coking coal and Coke is 5%.

7.13 Coal Consumer Councils

For redressal of consumer's grievances and monitoring of complaints received from consumers, one Regional Coal Consumer Council each has been set up for each coal company. An Apex body viz National Coal Consumers Council has also been set up at CIL HQ. In case the complainants do not receive a reply within a month or a complainant is not satisfied with reply of

Coal Company, he may refer the matter to National Coal Consumers Council. These Councils have been reconstituted during the year 2010-11 with the addition of many new members. CIL has also introduced on line grievance redressal mechanism which will give access to all buyers for lodging complaints / grievance through CIL website Guidelines for lodging complaints, forms for submission of complaints, status report of grievance etc have already been placed on CIL website so that consumers can avail of such mechanism.