

No. 13011/8/97-CA
Government of India
Ministry of Coal

Shastri Bhawan, New Delhi, 1st March, 1999

To

All Captive Coal Mining Companies.
State Governments
FICCI/CII/ASOCHEM/CMA/Sponge Iron Association
CIL
SCCL

Sir,

The difficulties being faced by the captive coal mining companies in disposal of the coal mined from the captive block which is not accepted by the linked end-user i.e. the power generating company or the iron and steel producing company, etc. have been engaging the attention of the Ministry of Coal for some time. On account of force-majeure events, the linked end-user company may not be able to accept the coal mined from the captive block. Since many of captive blocks have multi-grade seams, certain grades of coal being mined by a captive coal mining company may not be acceptable to the linked end-user since such grades of coal are not compatible with its requirements. The accumulation of such coal also poses fire and safety hazards, etc.

2. In order to overcome such distress condition, the captive coal mining companies will be allowed by the Ministry of Coal under the provisions of the Colliery Control Order, 1945 to sell coal to companies engaged in the approved end-uses i.e. power generation or iron and steel production or cement production for quantities which are not required by the linked end-user to which the captive coal block was linked for exclusive supply of coal from the block.

3. The conditions of such sale are given below:-

i) The captive coal mining company linked to an end-user will apply to the Coal Controller through the Ministry of Coal certifying the grade and quantity of coal available with it for supply to an approved end-user other than the linked end-user. The applicant company may locate and suggest an alternate buyer (approved end-user) but the Coal Controller shall have unfettered rights to specify any other approved end-user. The application of the captive coal mining company should be accompanied with the following:-

(a) A certificate from the linked end-user specifying (i) the events or other valid reasons on account of which the linked end-user is not able to utilise a specified quantity of particular grade(s)

of coal produced by the captive coal mining company for a particular period, (ii) the damages or other payments which the linked end-user would be liable to pay to the captive coal mining company on account of non-lifting of said quantity of coal. and (iii) that the linked end-user has no objection to sale of such coal to an approved end-user other than itself for a specified period.

- (b) An irrevocable undertaking-cum-indemnity bond on a stamp paper of appropriate value that the coal mining company will be willing to abide by any order of the Coal Controller or Ministry of Coal under the Colliery Control Order, 1945 to sell such coal to any State Electricity Board or other approved end-users designated by the Coal Controller or Ministry of Coal on such terms and conditions as may be specified by Ministry of Coal/Coal Controller.
- ii) Similar applications accompanied by the certificate and irrevocable undertaking-cum-indemnity bond should be given by the captive coal mining companies linked to Iron & Steel producing companies and Cement producing companies.
- iii) The allotment orders for sale of accumulated coal under the Colliery Control Order, 1945 will also apply to non-power grades of coal that are mined from the captive mines linked to thermal power plants and grades of coal that are mined from captive mines linked to cement plants but cannot be used in cement production. Similar coverage will be available to the non-steel grades of coal coming out from captive mines linked to iron and steel producing plants. However, before making allotment of the accumulated stock to an approved end-user engaged in production/generation different from that of the linked end-user, the Coal Controller or Ministry of Coal will satisfy itself that the grade of accumulated stock is such that the same cannot be utilised for the end-use for which the captive coal mine was allotted. For example, if the accumulated stock in a captive mine is found to be of non-power grade coal, then only such stock can be allotted to cement producers.
- iv) In making allotments of the surplus power grade coal from the captive mines, the SEBs and other power utilities in the Central and State sectors will be given preference.
- v) The price at which the captive coal mining company may be allowed to sell coal to any other approved end-user will not be higher than the price at which the captive coal mining company sells coal to the linked end-user. Due adjustments to the price at which the captive coal mining company will be allowed to sell coal to any other end-user will be made considering the damages the captive coal mining company may receive from the linked end-user

for non-lifting of coal. Further, where the sale price of coal in the agreement between the captive coal mining company and the linked end-user includes the cost of transportation of coal (either by rail or road) at a certain rate, other thing being equal, the same rate of transportation cost will apply in sale of coal by the captive coal mining company to an approved end-user other than the linked end-user. In all cases, the captive coal mining company will be required to make necessary arrangements for transportation of coal to the premises of the approved end-user other than the linked end-user. In the event, such an approved end-user finds the price excessive compared to coal from other sources it may approach the Coal Controller who would then specify the price at which the captive coal mining company will be allowed to sell coal to such an approved end-user having due regard to all relevant factors.

4. Based upon the above principles, the Coal Controller will issue a permit specifying the quantity, grade, price, approved end-user (purchaser) and the period within which such coal will be required to be delivered by the captive coal mining company to the approved end-user.

5. The above guidelines will apply mutatis mutandis to lignite also. However, the permission to sell excess lignite from a captive lignite mine will be given by the Ministry of Coal.

6. For the purposes of these instructions, the expression "approved end-user" means a company engaged either in iron and steel production or power generation or cement production.

Yours faithfully,


(A Banerji)
Director

Copy for information and necessary action to:

- i) Ministry of Power, New Delhi
- ii) Ministry of Industry, New Delhi (Indl. Policy & Promotion)
- iii) Ministry of Commerce, New Delhi.
- iv) Lignite Section of Ministry of Coal
- v) Deptt. of Steel
New Delhi


(A Banerji)
Director

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