

Immediate/Speed Post

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Government of India
Ministry of Coal

New Delhi, dated 9th March, 2016

To

1. CMD, Coal India Ltd., Kolkata	2. The Director(Marketing), CIL, Kolkata.
3. The CMD, CMPDIL, Ranchi.	4. The Director(Finance), CIL, Kolkata.
5. The Director(Technical), CIL, Kolkata.	6. The Coal Controller, 1, Council House Street, Kolkata.
7. GM (S&M), Coal India Ltd., Scope Complex, Lodi Road, New Delhi.	

Subject: Minutes of the meeting on Policy Formulation on disposal of washery rejects/middlings/surplus coal etc. **-Reg.**

Sir,

I am directed to forward herewith the **minutes** of the meeting held on 22.02.2016 under the chairmanship of Special Secretary, Ministry of Coal regarding policy formulation on disposal of washery rejects/middlings/surplus coal etc. for information and necessary action at your end.

2. As regards Para 9 of the enclosed minutes, Coal India Ltd./its subsidiaries may take up the matter with Ministry of Power in consultation with CPD Section of Ministry of Coal.

3. As regards Para 10 of the enclosed minutes, CMPDIL and CCO may finalize the grading of jhama at the earliest.

Yours faithfully,



(Rishan Ryntathiang)

Under Secretary to the Government of India

Copy to the following for information and necessary action:

JS(RFG)/JS(VB)/JS(RKS)/Advisor(P)/CPD Section

Sr.PPS to Special Secretary (Coal)

Copy to Director(T), NIC, M/o Coal for uploading on the Website.

MEETING UNDER THE CHAIRMANSHIP OF SPECIAL SECRETARY (COAL) REGARDING POLICY FORMULATION ON DISPOSAL OF WASHERY REJECTS/MIDDLINGS/SURPLUS COAL, ETC. HELD ON 22.02.2016 AT 05.00 PM AT CIL OFFICE, CORE-6, 6TH FLOOR, SCOPE COMPLEX, LODHI ROAD, NEW DELHI-110003.

A list of participants is enclosed at **Annexure-I**.

2. Welcoming the participants, Special Secretary (Coal) informed that a policy had to be finalized for disposal of washery rejects/middlings, etc. as it was expected to prevent the sale of good quality coal under the garb of washery rejects/middlings, etc. by captive coal block allottees as well as coal linkage holders. A base paper regarding the same was prepared and circulated to all the participants.

3. It was noted that the Hon'ble Supreme Court vide its judgement dated 25.08.2014 and order dated 24.09.2014 passed in W.P. (Crl.) No.120/2012 had cancelled 204 captive coal blocks. The 14 blocks which were not cancelled included 12 coal blocks allocated to Ultra Mega Power Projects (UMPP) and one block each allocated to SAIL (Tasra) and NTPC (Pakri Barwadih). In respect of UMPPs, Hon'ble Supreme Court vide its above-mentioned judgment/order had directed that coal produced from UMPP coal blocks would only be used for UMPP Power Plants and no commercial exploitation was permissible. The 204 cancelled coal blocks are now being auctioned/allotted as per the provisions of the Coal Mines (Special Provisions) Act, 2015 [CM(SP) Act] and rules framed thereunder. Certain agreements / contracts have been executed between the Government and the successful bidders/allottees viz. vesting orders, Standard Coal Mines Development and Production Agreement (CMDPA)/Standard Allotment Agreement, etc. The Standard Tender Document and Standard Allotment Document for the allocation of coal mines for specified end uses through auction and allotment respectively have been prepared in accordance with the provisions of the Act and the rules framed thereunder. There are provisions for utilization of middlings and washery rejects in the Tender / Allotment Document. For example, Clause 5.7.1 of the Tender/Allotment Document provides as follows:

“5.7.1. The Successful Bidder shall not be permitted to use the coal extracted from the Coal Mines for any purposes other than utilization in the Specified End Use Plant. Any middlings or washery rejects generated from the Coal mines may be sold by the Successful Bidder only with the prior approval of the Coal Controller’s Organisation.”

4. The terms and conditions of Standard Coal Mines Development and Production Agreement (CMDPA)/Standard Allotment Agreement that are required to be entered between the Central Government and Successful Bidder/ Allottee governs the policy with respect to surplus coal/middlings/washery rejects. The relevant parts which are relevant for the formulation of the policy are reproduced below :-

“8.2. Middling or Washery rejects-

8.2.1. The successful Bidder shall adhere to Good Industry Practice with respect to mining of coal and make best efforts to reduce generation of middling or washery rejects and utilize the same in any captive power plant of the Successful Bidder.

8.2.2. Any middling or washery rejects generated from the Coal Mine which cannot be utilized by the Successful Bidder in accordance with Clause 8.2.1. above, may be sold by the Successful Bidder. In such case, the Successful Bidder shall maintain separate records for the middling or washery rejects generated, utilized and sold. However, the middling or washery rejects generated from the Coal Mines should in no event, exceed the normative limits.”

5. In relation to surplus coal, the standard CMDPA for the coal mines classified for non-power sector but including captive power plant sector and standard Allotment Agreement provides as under :-

“8.5.1. Any coal extracted from the Coal Mine which is in excess of the requirements of coal for the Specified End Use Plan and the Other Plant(s) shall be required to be supplied to CIL at the CIL Notified Price.”

6. Further, the standard CMDPA for the coal mines classified for power sector provides as under :

“8.5.1. Any coal extracted from the Coal Mine which is in excess of the requirements of coal for the Specified End Use Plan and the Other Plant(s) shall be required to be supplied to CIL at the aggregate of (i) the Final Price Offer based on which the Successful Bidder has been selected and (ii) the Fixed Rate, as escalated in accordance with Clause 9.2, or the CIL Notified Price, whichever is lower. [This clause will be applicable in case where Final Price Offer is greater than zero].

Any coal extracted from the Coal Mine which is in excess of the requirements of coal for the Specified End Use Plant and the Other Plant(s) shall be required to be supplied to CIL at the Fixed Rate. [This clause will be applicable in case where (a) no Final Price Offer was made on account of Final Price Offer Ceiling being zero; or (b) any Final Price Offer being Zero, and in each such case the Additional Premium would be greater than or equal to zero.]”.

7. Hence, the above-mentioned provisions of Standard CMDPA/Standard Allotment Agreement already provide for disposal of surplus coal, washery rejects, middlings, etc. by the successful bidder/allottee of the captive coal blocks. Similar provisions are there in the Coal Block Development and Production Agreement which is entered between Government and the allocatee(s) of coal blocks which have been allocated under the amended provisions of MMDR Act, 1957. Accordingly, as of now, there is no requirement for finalization of a separate policy for disposal of surplus coal, washery rejects/middlings, etc. in respect of captive coal blocks. In case of revision of mining plan relating to enhancement of coal production, the same will have to be seen in view of the increase in the installed end use capacity of the successful bidder/allottee.

8. Thereafter, there remains the issue of finalization of policy with respect to disposal of washery rejects/middlings/surplus coal coming from coal being sold by CIL/its subsidiaries as part of linkages and e-auctions. Officers of CIL explained that the policy in respect of coal coming from CIL

consisted of only washery rejects/middlings as there would be no surplus coal. As far as coal sold through e-auction to non-regulated sector (Iron & Steel, Cement, etc.) was concerned, the coal purchased by the consumer was at market/discovered price and therefore, there was no requirement of any separate policy in respect of this coal and any rejects/middlings generated through washery.

9. In respect of coal being sold by CIL/its subsidiaries as part of linkages to regulated sector (power), it was observed that sale of coal from CIL took place on FOR colliery basis. The title of the goods is transferred to the buyer once the consignment leaves colliery premises. The coal was getting washed by a bi-lateral arrangement between the buyer and the washery operator. It was considered that the linkage holder should provide data to the respective power regulator relating to quantity of raw and washed coal, quantity of washery rejects generated, cost of washing, value of washery rejects got by the linkage holder, etc. The data so received by the power regulator may be made a factor in determining the tariff of power. Hence, it was decided to consult Ministry of Power on this issue.
10. The Coal Controller raised the issue of disposal of jhama and its end users. It was noted that jhama occurred in only some collieries including captive coal blocks due to igneous intrusion of coal which resulted in alteration of quality of coal. The gross calorific value (GCV) of jhama was usually miniscule and hence it could not be used in the end uses like power, iron and steel, cement, etc. During the discussion, it emerged that due to nominal GCV of jhama, it would not come under the ambit of washery rejects, middlings, carbonaceous shale, etc. Neither was any grading done for jhama. Hence, it was decided to get the grading for jhama done by CMPDIL/CCO. After the grading of jhama, its manner of disposal to end users who required the same may be decided subsequently.
11. The meeting ended with a vote of thanks to the Chair.

MEETING UNDER THE CHAIRMANSHIP OF SPECIAL SECRETARY (COAL) REGARDING POLICY FORMULATION ON DISPOSAL OF WASHERY REJECTS/MIDDINGS/SURPLUS COAL, ETC. HELD ON 22.02.2016 AT 05.00 PM AT CIL OFFICE, CORE-6, 6TH FLOOR, SCOPE COMPLEX, LODHI ROAD, NEW DELHI-110003.

LIST OF PARTICIPANTS

S. No.	Name & Designation	Ministry / Department	Contact No. & E-mail ID
1.	Dr. A.K. Dubey, Special Secretary (Coal)	In the Chair	
2.	Shri S. Bhattacharya, Chairman	Coal India Limited	8334874567
3.	Shri R.P. Gupta, Joint Secretary	Ministry of Coal	
4.	Shri Vivek Bharadwaj, Joint Secretary	Ministry of Coal	
5.	Shri Rajesh Sinha, Joint Secretary	Ministry of Coal	
6.	Shri D.N. Prasad, Adviser (P)	Ministry of Coal	23384887
7.	Shri Anjani Kumar, Coal Controller	Coal Controller Organisation	9831104134
8.	Shri N. Kumar, Director (Technical)	Coal India Limited	9830556002
9.	Shri C.K. Dey, Director (Finance)	Coal India Limited	9434795102
10.	Shri Shekhar Saran, CMD	CMPDIL	7781003083
11.	Shri V.K. Sinha, Director (Technical)	CMPDIL	7763806733
12.	Shri S.N. Prasad, Director (Marketing)	Coal India Limited	9422477840
13.	Shri G.K. Vashishtha, GM (S&M)	Coal India Limited	9971100309
