

Shastri Bhawan, New Delhi 110 001
Dated the 13th April, 2015

OFFICE MEMORANDUM

Subject: Minutes of the Third meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 27.03.2015.

The undersigned is directed to forward herewith a minutes of the Third meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 27.03.2015, under the Chairmanship of Shri A. K. Bhalla, Additional Secretary, Ministry of Coal.

Encl: As above

13-4-2015

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India
Ph. No.23384285

1. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi(Att. Sh. Harish C. Upadhayay, US)
2. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi (Att. Shri. A.K. Singh, Joint Secretary)
3. Secretary, NITI Ayog, Yojana Bhawan, New Delhi (Att. Shri. Somit Dasgupta, Advisor)
4. Chairman, Railway Board, Rail Bhawan, New Delhi(Att. Shri. H..S..Bajwa, Director)
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi(Att. Shri S. Abbasi, Joint Secretary)
6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi(Att. Shri Mohan Chutani, Eco Advisor)
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi (Att. Dr. R.S. Shrinet, ALA)
8. Secretary Department of Financial Services, Jeevan Deep Building New Delhi.(Attn: Sh. Alok Tandon, Joint Secretary)
9. Chairman, Coal India Ltd. Kolkata(Att. Shri B.K. Saxena, Director (Marketing))
10. Chairman, SCCL, PB No. 18, Red Hills, Khairatabad, Hyderabad, AP(Att. Shri B. Nagya, ED/Coal Movement)
11. CMD, CMPDIL, Ranchi, Jharkhand(Att. Shri R.K. Chopra, Director T/PRD)
12. Chairman, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi(Att. Shri P.D. Siwal, Chief Engineer.).

Copy for information to:

1. PS to MoS (I/C), Coal, Power and N&RE
2. OSD to MoS (I/C) Coal
2. Sr. PPS to Secretary, Ministry of Coal
3. PPS to Additional Secretary (AKD), Ministry of Coal
4. PPS to Additional Secretary (AKB), Ministry of Coal
5. PPS to JS(VB), Ministry of Coal
6. PPS to JS(SKS), Ministry of Coal
7. PS to JS & FA, Ministry of Coal
8. PS to Advisor (Projects), Ministry of Coal
9. PS to Director, CPD, Ministry of Coal

13-4-2015

(Pilli Ravi Kumar)

Under Secretary to the Govt. of India

Copy to: Director, NIC with the request to place the same on the website of this Ministry.

Minutes of Third Meeting of Inter-Ministerial Committee constituted for proposed auction of coal linkage/LOAs through competitive bidding held on March 27, 2015

List of the participants is annexed

At the outset, Additional Secretary, Ministry of Coal, welcomed all the participants.

2. Representative of SBICAP briefed the IMC about the key issues raised during meetings held with a) Ministry of Steel and industry members and b) DIPP and Cement Manufacturers Association (CMA). Following were the key issues raised:
 - a. Concerns were raised by the members of industry bodies regarding difference in the quality of coal mentioned in the FSA and the quality of coal actually delivered. It was stated by the members that with adoption of market based mechanism for pricing of coal, quality of coal supplied shall also be required to be ensured by CIL.
 - b. Members of industry bodies pointed out that currently there are capacity constraints for movement of coal by rail. With adoption of market based mechanism, logistics issues shall be required to be resolved to ensure regular supply of coal to end-users.
 - c. It was suggested that traders/washeries should not be allowed to participate in the proposed auction of coal linkages.
 - d. It was expressed that the auction calendar including coal quality, quantity etc. should be informed to participants well in advance.
 - e. It was suggested that the proposed auctions should be conducted by an independent entity and auction terms and conditions to be decided clearly.
 - f. It was also suggested that since coal prices in the international market fluctuates, bidders should be given exit option in the FSAs after a certain lock-in period.
 - g. It was also suggested that escalation factor should also allow for a decrease in coal price as globally coal prices moves both in positive and negative direction.
3. It was discussed that since movement of coal is dependent on capacity of railways, a matrix of coalfield and end-use industry location i.e. coalfield-wise area of supply shall be drawn in consultation with the railways keeping in view its expansion plan. Auctions may be conducted based on this matrix. For those locations, where coastal movement of coal is economical, coastal movement shall also be considered.
4. Following points were discussed for non-regulated sector:
 - a. It was discussed that end-uses may be separated based on project economics, for example, cement, iron & steel, captive power plant. Since requirement of other sectors, such as fertilizers, paper etc. is small, coal linkage may be allocated separately to these sectors.

- b. It was discussed that SBICAP shall undertake a study of existing FSAs in consultation with their legal experts on conducting of auctions for such FSA holders.
 - c. It was also discussed that based on the existing FSA data, pending LOAs, existing production of CIL and expansion plan of CIL, SBICAP shall undertake a supply study along with CIL to ascertain the quantity of coal which shall be available for auction.
 - d. Representative of DFS suggested that since loan tenure is around 15 years, award of linkage may be considered for 15 years instead of 5-10 years.
5. Following points were discussed for the regulated sector (i.e. power sector):
- a. It was discussed that a draft methodology for auction of coal linkage for power sector be prepared immediately for further consultations.
 - b. It was also discussed that CIL shall first meet its obligation of supplying up to 80% of annual committed quantity to power sector under the existing linkages (FSAs/LoAs). Any future allotment of linkage shall be taken up only under the new system of allocation.
 - c. It was discussed that State Discoms may invite tariff based bids and linkage may be awarded to the lowest bidders.
 - d. It was discussed that Ministry of Power shall conduct a demand supply study based on existing linked capacity, upcoming capacity and capacity tied up under PPAs to enable further discussions.

ANNEXURE

LIST OF PARTICIPANTS WHO ATTENDED THE THIRD MEETING OF INTER-MINISTERIAL COMMITTEE (IMC) CONSTITUTED FOR PROPOSED AUCTION OF COAL LINKAGES/LOAs THROUGH COMPETITIVE BIDDING HELD ON 27TH MARCH, 2015 UNDER THE CHAIRMANSHIP OF SHRI A.K. BHALLA, ADDITIONAL SECRETARY, MINISTRY OF COAL.

	<u>Ministry of Coal, Shastri Bhawan, New Delhi</u>
1	Sh. A.K. Bhalla, Additional Secretary, Ministry of Coal
2	Sh S.K. Singh, Joint Secretary(SKS)
3	Sh. J.S. Bindra, Director(CPD)
	<u>Ministry of Power, Shram Shakti Bhawan, New Delhi.</u>
4	Sh. A.K. Singh, Joint Secretary
5	Sh. Harpreet Singh Pruthi, Director
	<u>Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi</u>
6	Sh. P.D. Siwal, Chief Engineer
	<u>Department of Economic Affairs, Ministry of Finance, North Block, New Delhi</u>
7	Sh. Harish C.Upadhayay, US
	<u>Department of Financial Services, Ministry of Finance, North Block, New Delhi</u>
8.	Sh.Alok Tandon, Joint Secretary
	<u>NITI Ayog, Yojana Bhawan, New Delhi.</u>
9.	Sh. Somit Dasgupta,Adv
	<u>Deptt of Industrial Policy and Promotion, Udyog Bhawan, New Delhi</u>
10	Sh. Nand Lal, Consultant
11	Mohan Chutani
	<u>Ministry of Railways</u>
12	Sh. H.S.Bajwa, Director (T)
	<u>Singareni Collieries Company Ltd (SCCL) PB No. 18, Red Hills, Khairatabad, Hyderabad, AP</u>
13	Sh. B. Nagya, ED/Coal Movement
	<u>Coal India Limited, Kolkata</u>
14	Sh. B.K. Saxena, Director (Marketing), CIL, Kolkata
	<u>CMPDIL,Ranchi,Jharkhand</u>
15	Sh.R.K.Chopra,Dir(T/PRD)