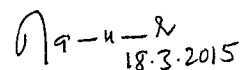


Shastri Bhavan, New Delhi 110 001  
Dated the 18<sup>th</sup> March, 2015

OFFICE MEMORANDUM

Subject: Minutes of the Second meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 09.03.2015.

The undersigned is directed to forward herewith a minutes of the Second meeting of the Inter-Ministerial Committee for proposed auction of coal linkages/LoAs through competitive bidding held on 09.03.2015, under the Chairmanship of Shri A. K. Bhalla, Additional Secretary, Ministry of Coal at 3rd floor, Shastri Bhawan, New Delhi.

  
18.3.2015

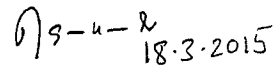
(Pilli Ravi Kumar)

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

1. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi
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. Manoj Akhauri, EDTT/F )
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.
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/ Shri Alok Saxena, Consultant)

Copy for information to:

1. PS to MoS (I/C), Coal, Power & MNRE
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

  
18.3.2015

(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 meeting of Inter-Ministerial Committee for proposed auction of coal linkage/LOAs through competitive bidding held on March 9, 2015**

List of the participants is annexed.

At the outset, Additional Secretary, Ministry of Coal, welcomed all the participants and informed that this meeting has been convened to discuss the approach to proposed auction of coal linkage/LOAs through competitive bidding in future.

2. The meeting started with a presentation on approach to market based mechanism for allocation of coal linkages/LOA by SBI Capital Markets Limited (SBICAP), who have been engaged as consultant in CIL for the purpose of suggesting a methodology of auction and preparation relevant bid documents. Issues were discussed and deliberated in detail by the IMC members.

3. Following points, applicable to both regulated (power) and non-regulated sector, emerged after detailed deliberations:

- a. It was discussed that Reserve Price for auction may be set on the basis of notified price of CIL. The Bidder shall be informed of the grade, quantity and location of the coal being auctioned. It was suggested that the location may be specified as coal field's location instead of a specific mine.
- b. It was discussed that auction calendar for 2-3 years would be required to be given by Coal India Limited (CIL) on a rolling basis.
- c. It was discussed that since different industries have different economics, sector-wise quantity to be allocated through linkage should be earmarked within the coalfields.
- d. It was discussed that reasonable quantity of coal should be put up for auction as very small quantity may lead to aggressive bidding by larger players and may be unviable for the industry.
- e. It was discussed that washing of coal shall be done by the procurer or CIL. Representative of CIL suggested that under the existing framework, washing is done by the procurer and it may be continued till washery capacities are developed by CIL.

4. Following points, applicable to regulated (power) sector, emerged after detailed deliberations:

- a. It was discussed that for power sector, guiding principle shall be tariff minimization at DISCOM level.
- b. It was discussed that first priority may be given to plants in operation or near operation which have capacity tied through Case I bids and are without linkage or captive coal block. However, Additional Secretary pointed out that capacity already tied through Case I bids may not reflect passing of value of fuel to consumers as tariff has already been decided for this capacity. However, on further deliberation, it was suggested that suitable framework may be considered for capacity already tied through Case I bids.

- c. It was discussed that duration of the linkage may be linked to either duration of Power Purchase Agreement (PPA). Representative of CEA pointed out that PPA's are dynamic and changes every year. Therefore, it may not be appropriate to link the duration of linkage to the duration of PPA.
- d. It was discussed that states having power deficit may be given preference for linkage allocation. However, Representative of CEA stated that in view of National Integrated Grid, power deficit should not be made criteria for allocation of linkage to states. It was suggested that each state may be allocated some quantity of coal linkage on the basis of which DISCOMs may invite Case I bids.

5. Following points, applicable to non-regulated sector, emerged after detailed deliberations:

- a. It was discussed that escalation linked to the index reflecting price of finished goods, for ex, LME for aluminium, or index reflecting price of similar grade of coal may be applied to bid price. It was suggested that instead of linking the escalation to some index, a fixed percentage may be applied as this would help in keeping a cap on the upper price of coal for the bidder.
- b. It was discussed that duration of coal linkage may be considered for ten years as most projects have a loan repayment tenor of 10-15 years. Further, since in case of award of linkage via auction, the FSA would not be automatically renewed at the end of expiry period. Thus, ten years is a reasonable time frame for award of coal linkage through auction.

6. It was decided that CIL shall provide indicative quantity to be auctioned along with the grade and type of coal and tentative auction timeline.

7. It was decided that SBICAP shall hold meetings with Ministry of Steel, Ministry of Power, Department of Industrial Policy & Promotion (for cement sector) and relevant industry bodies to discuss the approach on proposed auction of coal linkages/ LOA. Representatives of Ministry of Coal shall also attend such meetings.

8. Members agreed to meet again on March 20, 2015 (tentatively). The meeting ended with a vote of thanks by Additional Secretary.

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LIST OF PARTICIPANTS WHO ATTENDED THE SECOND MEETING OF INTER-MINISTRIAL COMMITTEE (IMC) CONSTITUTED FOR PROPOSED AUCTION OF COAL LINKAGES/LOAs THROUGH COMPETITIVE BIDDING HELD ON 9<sup>TH</sup> MARCH, 2015 UNDER THE CHAIRMANSHIP OF SHRI A.K. BHALLA, ADDITIONAL SECRETARY, MINISTRY OF COAL.

	<b><u>Ministry of Coal, Shastri Bhawan, New Delhi</u></b>
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)
	<b><u>Ministry of Power, Shram Shakti Bhawan, New Delhi.</u></b>
4	Sh. A.K. Singh, Joint Secretary
5	Sh. Harpreet Singh Pruthi, Director
	<b><u>Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi</u></b>
6	Sh. P.D. Siwal, Chief Engineer
7	Sh. Alok Saxena, Consultant
	<b><u>Ministry of Steel, Udyog Bhawan, New Delhi</u></b>
8	Sh. S. Abbasi, Joint Secretary
	<b><u>Department of Economic Affairs, Ministry of Finance, North Block, New Delhi</u></b>
9	Sh. Aldijit Phulkon, Joint Director
	<b><u>NITI Ayog, Yojana Bhawan, New Delhi.</u></b>
10	Sh. Harendera Kumar, J.A.
	<b><u>Deptt of Industrial Policy and Promotion, Udyog Bhawan, New Delhi</u></b>
11	Sh. Nand Lal, Consultant
	<b><u>Singareni Collieries Company Ltd (SCCL) PB No. 18, Red Hills, Khairatabad, Hyderabad, AP</u></b>
12	Sh. B. Nagya, ED/Coal Movement
	<b><u>Coal India Limited, Kolkata</u></b>
13	Sh. B.K. Saxena, Director (Marketing)), CIL, Kolkata