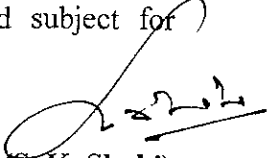


Shastri Bhawan, New Delhi,
Dated the 26th December, 2014

OFFICE MEMORANDUM

Subject: Minutes of the Meeting of the Inter-Ministerial Committee constituted to discuss the Approach Paper for Auction/Allotment of Coal Blocks under the Coal Mines (Special Provisions) Ordinance, 2014.

The undersigned is directed to forward herewith the Minutes of the Meeting of the Inter-Ministerial Committee held on 19-12-2014, on the above mentioned subject for information and necessary action.


(S. K. Shahi)

Director

Ph. No. 23382807

Encl.: as above.

To:

1. Secretary (Shri P.K. Sinha), M/o Power, Shram Shakti Bhawan, N. Delhi.
2. Secretary (Shri Rajiv Mehrishi), D/o Eco. Affairs, North Block, N. Delhi.
3. Secretary (Shri Amitabh Kant), DIPP, Udyog Bhawan, N. Delhi.
4. Addl. Secretary (Shri S.K. Mohapatra), D/o Legal Affairs, Shastri Bhawan, N. Delhi.
5. Shri A.K. Bhalla, Joint Secretary, M/o Coal, Shastri Bhawan, New Delhi.
6. Shri A.K. Singh, Joint Secretary, M/o Power, Shram Shakti Bhawan, N. Delhi.
7. Shri S. Abbasi, Joint Secretary, M/o Steel, Udyog Bhawan, N. Delhi.
8. Shri Shailendra Singh, Joint Secretary, DIPP, Udyog Bhawan, N. Delhi.
9. Dr. Mohan Chutani, Economic Adviser, DIPP, Udyog Bhawan, N. Delhi.
10. Shri Harpreet Singh Pruthi, Director, M/o Power, Shram Shakti Bhawan, N. Delhi
11. Shri P.D. Siwal, CE, CEA, Sewa Bhawan, R.K. Puram, New Delhi.
12. Shri Alok Saxena, Consultant, CEA, Sewa Bhawan, R.K. Puram, New Delhi.

Copy to:

- i. Sr. PPS to Secretary (Coal).
- ii. JS (VB) & Nominated Authority, MoC.
- iii. TD, NIC – *with the request to upload on the Ministry's website.*
- iv. Guard Folder

Minutes of the Meeting held on 19th December 2014 of the Inter-ministerial Committee constituted to discuss the Approach Paper for Auction/ Allotment of Coal Blocks under the Coal Mines (Special Provisions) Ordinance, 2014.

Secretary, Ministry of Coal (MoC) welcomed the participants and drew their attention to the 'Approach Paper for Auctioning of Coal Mines (Approach Paper) placed in public domain on 17th December 2014 for consultation with the stakeholders concerned. Secretary, MoC informed that this meeting has been convened to discuss the 'Approach Paper' prepared by the Nominated Authority and to give their views/ comments. A presentation on the Approach Paper was made by the JS, MoC/Nominated Authority before the Committee.

2. During the presentation, concerns were raised by the participants on the Bidding Process where it has been suggested that in the first Qualification Stage, the Bidders will provide preliminary Price Offer and Technical bid in Techno Commercial Bids. After evaluation of the Technical Bid, the Pre-Qualified Bidders will be shortlisted. The Preliminary Price Offer of only the Pre-Qualified Bidders will be opened and ranked on the basis of the diminishing or increasing Price Offer, as applicable. In the second Financial Bid Stage, top 50% of the Pre-Qualified Bidders, thus ranked, shall be allowed to participate in E-Auction. It was informed that such provision is kept to avoid cartelisation by the bidders in cases where the number of bidders for a single block is more. However, it was informed that a tentative mapping of the capacity of the coal blocks with the requirement of the potential bidders has been done and it has been observed that the number of bidders will be more only for few coal blocks of medium capacity. It was felt by participants that such condition of selecting only top 50% on the basis of their financial bid in the qualifying stage will be restrictive. Further, there is no precedence for such type of bidding process. A bidder who is qualified in the technical bid but does not fall in the top 50% on the basis of preliminary price offer may challenge the auction process alleging that he was unfairly denied the chance to participate in the financial bid (second stage of tender process). Further, in cases where numbers of bidders who qualify in the technical bid are limited for a block, selection of top 50% bidders on the basis of initial financial bid will be rendered impractical. It was, therefore, suggested to remove the condition of submission of initial price offer during the stage of technical bid.

3. Some participants observed that a single floor price for underground as well as opencast mines is not rational as cost of mining is substantially different for two categories. It was suggested that the MoC should examine some sample cases to determine the realistic value of Floor Price for underground and opencast mines separately.

4. It was observed that computation of Intrinsic Value of coal mines on the basis of average Notified Price of coal of CIL may not reflect the realistic picture

for a particular mine. It was suggested that the Intrinsic Value should be calculated on the basis of similar mine of CIL producing similar grade of coal. It was pointed by Secretary, MoC that such suggested exercise will bring subjectivity in the process and may not be prudent apart from being cumbersome and time-taking. It was decided to keep the stipulation unchanged.

5. It was felt that, in case of bidding for power sector blocks, a uniform Ceiling Price based on fixed Run-of-Mine (RoM) cost of coal of equivalent grade as specified by CIL could be lower than the actual cost of production for such block and may not attract requisite number of bids. However, it was felt by the participants that variable Ceiling price for every block may introduce subjectivity and complexity in the exercise and it was suggested that in cases where requisite number of eligible bids are not received, the Ceiling Price can be re - examined and such blocks can be re-auctioned.

6. It was observed that upfront payment of 10% of the Intrinsic Value will be very high, especially in cases of large blocks. It was mentioned that the stipulation of upfront payment by successful bidders is only to ensure its commitment. After deliberations, it was suggested to that the amount of upfront payment may be reduced to 7.5% of the Intrinsic Value of all the mines.

7. There was a discussion on permissible cap on percentage of merchant capacity.

On the issue of capping merchant power , the committee felt that the percentage may be aligned with that in National Electricity Policy (NEP) , which mentions that 15% of the generating capacities may be sold outside long term PPAs. On further discussion, the Committee agreed that the scope may be further expanded to include medium term PPAs along with long term PPAs. Therefore, it was finally agreed that upto 15% of the linked capacity of the generating plant may be allowed to use coal from awarded coal blocks for the generation and sale of power outside long term and medium term PPAs contracted under Section 62 or Section 63 of the Electricity Act, 2003.

8. It was suggested that a clause be added to explicitly exclude power projects based on case-2 bidding cases. Accordingly, it was felt that following may be incorporated in the bidding methodology:

“For existing generation capacity contracted through tariff bid based PPAs (Case-2), arranging fuel is the responsibility of power procurer. Such Case-2 capacities shall not be eligible to participate in the auction process for the coal blocks.”.

9. Further, it was also discussed that power projects which do not have PPAs today but would be entering into PPAs (Case-1) in future also need to be

covered explicitly. Hence para 2.4.2 of the Approach Paper may be reworded as below:

Para 2.4.2: For Fixing the Ceiling Price of coal mines/ blocks to be auctioned for generation capacity having cost plus PPAs or for generation capacity having tariff bid based PPAs (Case-1) /generation capacity to be contracted through tariff bid based PPAs (Case-1) in future.

Sub-para 2.4.2(f) may be written as follows:

"Further, the following conditions will be prescribed while auctioning the coal blocks for power sector, for which the Ministry of Power will also make suitable provisions in the Tariff Policy and/or in the bidding guidelines under the Electricity Act, 2003"

Para 2.4.2(f) Sub para III may be added as follows:

2.4.2(f)III For the Generation Capacity to be contracted through tariff bid based PPAs(Case-1) in future.

"The Appropriate Commission shall while adopting the tariff under Section 63 of the Electricity Act, 2003, ensure that the energy charge is derived based on the actual bid price of coal as being equivalent to Run of Mine (ROM) cost of coal alongwith statutory levies and other permissible components of energy charge.

10. JS, Ministry of Steel emphasised that the coal blocks identified for non-regulated sector should be earmarked separately for Iron & Steel. It was decided that MoC will take decision on the issue in consultation with Ministry of Steel and DIPPP.

11. On the clause relating to allowing L-2 bidder to match L-1 bidder price, if L-1 bidder backs-out; it was informed that CVC guidelines prescribe that in case L-1 bidder backs-out, there should be re-tender. Accordingly, this clause may be deleted.

12. Para 2.4.3 should be modified to read as

"Any further revision of CIL price after the bid due date would not have any impact on the bid price of the blocks already bid as escalation on that price has already been provided for in para 2.4.2(e).

The meeting ended with a vote of thanks by Secretary, Ministry of Power.

First meeting of the Inter-Ministerial Committee constituted to discuss the Approach Paper for Auction/Allotment of Coal Blocks under the Coal Mines (Special Provisions) Ordinance, 2014 held on 27-11-2014.

List of participants

1. Shri P.K. Sinha, Secretary, Ministry of Power
2. Shri Anil Swarup, Secretary, Ministry of Coal
3. Shri Rajiv Mehrishi, Secretary, Department of Economic Affairs
4. Shri Amitabh Kant, Secretary, Department of Industrial Policy & Promotion
5. Shri S.K. Mohapatra, Additional Secretary, Deptt. of Legal Affairs
6. Shri A.K. Bhalla, Joint Secretary, Ministry of Coal
7. Shri A.K. Singh, Joint Secretary, Ministry of Power
8. Shri S. Abbasi, Joint Secretary, Ministry of Steel
9. Shri Shailendra Singh, Joint Secretary, Deptt. of Industrial Policy & Promotion
10. Dr. Mohan Chutani, Economic Adviser, Deptt. of Industrial Policy & Promotion
11. Shri Harpreet Singh Pruthi, Director, Ministry of Power
12. Shri P.D. Siwal, CE, Central Electricity Authority
13. Shri Alok Saxena, Consultant, Central Electricity Authority