IMMEDIATE

No. CPD-23014/7/2023-CPD
Government of India
(भारत सरकार)
Ministry of Coal
(कोयला मंत्रालय)
*****

Shastri Bhawan,
New Delhi, the 13th February, 2024

To

1. The Chairman-cum-Managing Director,
   Coal India Limited,
   Coal Bhawan, Plot No-AF-III, Action Area-1A,
   Newtown, Rajarhat, Kolkata – 700156

2. The Chairman-cum-Managing Director,
   Singareni Collieries Company Limited,
   Singareni Bhavan, PB No. 18, Red Hills,
   Khairatabad PO, Hyderabad, Telangana

Subject: Meeting of the Standing Linkage Committee (Long-Term) for Power Sector – SLC (LT) No. 01/2024

Sir,

I am directed to forward herewith the approved minutes of the meeting of the SLC (LT) for Power Sector held on 03.01.2024 to consider the requests for coal linkages to Central / State Sector power plants and to review the status of existing coal linkages / LoAs & other related matters.

Yours faithfully,

Sujeet Kumar 13/2/2024
(Sujeet Kumar)
Under Secretary to the Government of India
Tele. No. 011-23384112 / email – sujeet.kmr@nic.in

Encl: (1)
Copy to -

1.	Additional Secretary, Ministry of Coal	Chairperson
2.	Principal Advisor (Energy), NITI Aayog, Yojana Bhawan New Delhi	Member
3.	Joint Secretary (Coal), Ministry of Coal	Member
4.	Advisor (Projects), Ministry of Coal	Member

5.	Joint Secretary (Thermal), Ministry of Power, Shram Shakti Bhawan, New Delhi	Member
6.	Joint Secretary (Ports), Ministry of Shipping, Transport Bhawan, New Delhi	Member
7.	Executive Director, Coal, Railway Board, Rail Bhawan, New Delhi	Member
8.	Director (Marketing), Coal India Limited	Member
9.	CMD's SCCL, BCCL, CCL, ECL, MCL, NCL, SECL & WCL	Members
10.	Chairman-cum-Managing Director, Central Mine Planning & Design Instt Ltd., Gondwana Place, Kanke Road, Ranchi	Member
11.	Chairman, Central Electricity Authority, Sewa Bhawan, RK Puram, New Delhi	Member
12.	Chairman, NTPC, Scope Complex, Lodhi Road, New Delhi-110003	Member

Copy to:

(i) Coal Controller, Coal Controller Organization, Delhi
(ii) Director (Technical), CIL, Kolkata
(iii) GM (S&M), CIL, Kolkata
(iv) GM (S&M), CIL, Delhi

Copy also to –
1. APS to Minister of Coal
2. PS to Minister of State for Coal
3. Advisor to Secretary (Coal)
4. PPS to Additional Secretary (Coal)
5. PS to Nominated Authority
6. PPS to Joint Secretary (CPD)
7. PS to DS (CPD)
8. NIC, Ministry of Coal – with the request to upload the Minutes of the Meeting in the website of Ministry of Coal

Minutes of the meeting of the Standing Linkage Committee (Long-Term) for Power Sector on 03.01.2024 [SLC (LT) 1 / 2024]

Agenda Item No. 1: Confirmation of the Minutes of the Meeting of the SLC (LT) held on 19.09.2023. **Record of Discussions:** There were no comments from any of the members. **Recommendations:** Minutes of the Meeting of the SLC (LT) held on 19.09.2023 are confirmed.
Agenda Item No. 2: Enhancement in Annual Contracted Quantity (ACQ) of coastal power plants: The Annual Contracted Quantity (ACQ) of power plants was increased upto 100% of the normative requirement, in the cases where the ACQ was reduced to 90% of normative requirement (non-coastal) or where the ACQ was reduced to 70% of normative requirement (coastal power plants). The decision to increase the ACQ upto 100 % of the normative requirement for the coastal power plants was taken in the meeting of the SLC (LT) held on 04.02.2021. SLC (LT) had also recommended that such coastal power plants whose ACQ is increased to 100 % would have to sign FSA with the coal companies within 3 months from the date of issue of the SLC (LT) recommendations. In addition, in the case of coastal power plants having existing Long-Term PPAs under Section 63 of the Electricity Act, Ministry of Power shall work out a methodology to ensure that the benefits accrued to the power plants as a result of increase in ACQ are passed on to the consumers. The recommendation of SLC (LT) for increasing the ACQ up to 100 % of the normative requirement for the coastal power plants where ACQ was restricted to 70 % of the normative requirement has not been implemented by Coal

Sujeet Kumar

India Limited in the case of Section 63 PPA(s) for want of the methodology from Ministry of Power as per the recommendation of the SLC (LT). While increasing the ACQ of the coastal power plants, SLC (LT) had also recommended for signing of FSAs with the coal companies within 3 months from the date of issue of the SLC (LT) recommendations. The recommendations of the SLC (LT) after the approval were issued on 01.03.2021. Therefore, the timeline of 3 months for signing of FSA has already lapsed.

Ministry of Power vide O.M dated 12.05.2023 had recommended a methodology for the Section 63 PPAs of Sembcorp Energy India Limited (SEIL) [a coastal power plant] to ensure that the benefits due to change in ACQ from 70 % to 100 % are passed on to the consumers.

The methodology recommended by Ministry of Power was discussed in the meeting of the SLC (LT) held on 16.06.2023. During the meeting, SLC (LT) had recommended that Ministry of Power may take a final view on the methodology recommended by it for the case of coastal power plants having existing Long-Term PPAs under Section 63 of the Electricity Act.

Thereafter, Ministry of Power vide O.M dated 16.08.2023 had stated that Ministry of Coal may forthwith consider the request of SEIL for enhancement of ACQ to 100 % for the two power plants of SEIL against its two PPAs with Telangana Discom (570 MW) and AP Discom (625 MW) under DBFOO as pass through of benefits is implicit in the two PPAs of SEIL and no specific methodology is required in these cases. The matter was taken up in the meeting of

Surjeet Kumar

the SLC (LT) held on 19.09.2023 and SLC (LT) had recommended that Ministry of Power / CEA may examine on whether the DBFOO PPAs of SEIL have a mechanism of pass through of the entire benefits accrued / accruing on account of the usage of 100 % domestic coal, so as to ensure that the entire benefits accrued to the Power Plants as a result of increase in ACQ is passed on to the discoms / consumers.

In reference to the recommendations of the SLC (LT) in its meeting held on 19.09.2023, Ministry of Power vide O. M dated 17.11.2023 has forwarded the comments received from CEA in the matter and has requested to take necessary action. CEA has stated that the logical and feasible option is to assess in any direct increase or decrease in the cost due to change in external environment, without trying to hypothesize factors that might have been considered while bidding and the impact of variable charges may be estimated based on express provisions of PPA. CEA while explaining the provisions of the PPA has stated that pass through of benefits is implicit in DBFOO PPAs of SEIL and no specific methodology is required to ensure that the benefits accrued to the power plants as a result of increase in ACQ are passed on to the consumers.

Record of Discussion: CEA made a presentation to the members of the SLC (LT) to explain the provisions of the SEIL DBFOO PPAs. CEA informed that SEIL has two PPAs on DBFOO basis (PPT attached). One of the PPA is for SEIL Plant P1 of capacity of 570 MW with Telengana Discoms, which is expiring on 31.03.2024 and the other PPA is for SEIL Plant P2 of 625 MW signed with AP State Discoms, which is expiring on 31.12.2033. CEA stated that the two PPAs of SEIL are not identical. It was further stated that in the case of Telengana Discoms PPA, non-availability

Sujeet Kumar

due to shortage of concessional fuel may be met through imported fuel based on landed cost and the mechanism for pass through of imported coal has been specified in the provisions of the PPA. In case the generation from additional fuel arrangement is not agreed by the utility, the non-availability arising would be deemed to be availability to the extent of 70 % non – availability for computation of fixed charges.

However, in the case of PPA with AP Discoms, for the non-availability due to shortage of concessional fuel, the supplier shall offer to generate from additional fuel arrangement at the same rates as for concessional fuel. If the supplier does not offer as above, the fixed charges will be proportionately reduced to the extent of the non-availability. The supplier in such case will be free to sell the power from such non utilized capacity to other buyers without any obligation to share the revenue received from sale of such capacity, with the utility. CEA further explained that in the case of PPA with AP Discom, since the domestic coal linkage was available only upto 70 % of the PPA capacity, then the supplier had the following options on provisions of PPA with AP Discoms:

i. To have availability less than normative one with allotted concessional fuel and thus get reduced fixed charge from Discoms on account of less availability.
ii. To have normative availability with allotted concessional fuel coupled with coal from costly sources including imported coal and thus get agreed full fixed charge and to bear the losses on account of energy charge.
iii. To arrange coal from other sources including imported coal but not to offer additional availability (beyond 70 %) to AP Discom for SEIL P2 and sell the power to third parties without explicit permission from AP Discoms. In this case, generator does not recover full fixed charge, but earns through sale to third party.

Suyesh Kumar

CEA also stated that even though SEIL P1 & P2 are of the same capacity, vintage and location, however, the quoted fixed charges in the Telangana PPA is Rs. 2.64 / KWh, whereas, in the case of AP PPA, it is Rs. 1.62 / KWh. The rates of coal admissible for additional fuels arranged by SEIL in the AP PPA is rate as of concessional fuel and SEIL is free to sell the power generated from additional fuel including imports to other buyers without any explicit permission from AP Discom and also without any obligation to share the revenue received from sale of such capacity. Thus, the assumption that SEIL would have adjusted the fixed charges in the case of AP PPA while quoting for the PPA bids being aware that 30 % of the coal would have to be procured from the market may not be correct as the fixed charges in the case of APP PPA is significantly less as compared to that in Telangana PPA and there is no binding restriction on SEIL to sell power from additional fuel [other than concessional fuel] to AP Discoms. It was also highlighted that Ministry of Coal vide letter no. 23011/79/2014-CPD/CLD dated 15th May 2018 had issued "Methodology for Linkage Rationalization for Independent Power Producer (IPPs)" and in the methodology, a formula has been prescribed for passing on the benefits of cost savings on account of linkage rationalization to the procurers of power. The pass through mechanism prescribed in the above methodology only mandates adjustment of variable charges (fuel charges and transportation charges) and no adjustment for any direct/indirect benefit on account of fixed charges had been prescribed. CEA further stated that impact of increase in ACQ may be estimated based on the provisions of the PPA, rather than hypothesizing and that the pass through of benefits is implicit in the two DBFOO PPAs of SEIL and no specific methodology is required. CEA also stated that PPAs of SEIL are based on tariff

Sujeet Kumar

based competitive bidding and bidder considers many factors, including coal allocation amongst others while submitting bids and therefore, any presumed benefit to SEIL may not be there in the case of AP Discom PPA.

Coal India Limited stated that the matter related to PPAs are within the domain of Ministry of Power / CEA and Ministry of Power / CEA are the appropriate authorities to decide on the provisions of the PPA. Coal India Limited further stated that in the methodology dated 15.05.2018 of Ministry of Coal for rationalization of coal linkages of IPPs, the IPPs are required to get a supplementary agreement approved by the appropriate Electricity Regulatory Commission in order to ensure the cost savings as a result of reduction in the landed cost of coal are being passed on to the Discoms / buyers. Coal India Limited suggested that a similar supplementary agreement having the approval of Regulatory Commission may be considered, by Ministry of Power / CEA, to be obtained in such type of cases as of SEIL.

In this regard, CEA stated that in the methodology dated 15.05.2018 of Ministry of Coal for rationalization of coal linkages of IPPs, a separate formula was given for pass through of benefits to consumers, which was not part of original PPAs, and accordingly, appropriate Electricity Regulatory Commissions were required to approve the supplementary agreement. In the present case, there is no separate formula required for pass through of benefits to beneficiaries. Accordingly, there is no need for signing of supplementary agreement.

Sujeet Kumar

SCCL was of the view that any implicit provisions of the PPA is subject to several interpretations and therefore, a specific methodology may be given by Ministry of Power as per the recommendation of the SLC (LT) in its meeting held on 04.02.2021, so that the implicit provisions are clearly spelt out.

Ministry of Power stated that the question involved is how the fixed cost benefit has to be passed on in case of increase in concessional fuel and the same has been elaborated by CEA that the two DBFOO PPAs of SEIL already has a mechanism of pass through of benefits inbuilt in the provisions of the PPA and a separate methodology is not required in these cases. Ministry of Power also stated that insisting for a supplementary PPA agreement as suggested by Coal India Limited may not be required considering the provisions of the existing PPA.

It was discussed that in case a decision is taken to increase the ACQ of SEIL, then whether additional FSA is to be signed in the case of Telangana PPA as the PPA is getting expired on 31.03.2024. SLC (LT) agreed that the recommendation has to be on principle, which may be applicable on both the PPAs of SEIL.

It was also discussed that SLC (LT) does not possess the requisite expertise to verify whether the benefits accruing on account of increase in ACQ are passed on to the Discoms / buyers. On this, it was stated by CEA/Ministry of Power that presently the appropriate Regulators are already authorized under Section 86 (b) of the Electricity Act 2003 to regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements

Sujeet Kumar