

**GOVERNMENT OF INDIA
MINISTRY OF COAL
RAJYA SABHA
UNSTARRED QUESTION NO.46
TO BE ANSWERED ON 15.12.2017**

Auction of coal linkages by CIL

46. SHRI R. VAITHILINGAM:

Will the Minister of Coal be pleased to state:

(a) whether Coal India limited (CIL) has decided to make auction of linkages to ensure dry fuel supply to non-regulated sectors like steel and cement, if so, the details thereof; and

(b) whether auction of coal linkages would be for non-regulated sectors, if so, the details thereof?

ANSWER

**MINISTER OF COAL IN THE MINISTRY OF COAL AND RAILWAYS
(SHRI PIYUSH GOYAL)**

(a) to (b): Coal India Limited, in accordance with policy dated 15.02.2016 issued by Ministry of Coal, has been conducting auction of coal linkages for non-regulated sector since June 2016. The sub-sectors of auctions are Sponge Iron, Cement, Captive Power Plants (CPP), Others, Steel (coking) and Others (coking).

Salient Features of the Policy of Auction of Coal Linkages to Non-Regulated Sector are:

- i. Proportion of coal allocation between power and non-power sectors to continue at the same level as average proportion of the last five years i.e. 75% Power and 25% Non-power. The Ministry of Coal/ CIL may review the proportion as and when required.
- ii. All allocations of linkages/LoAs for non-regulated sector shall henceforth be auction based. The tenure of new Fuel Supply Agreements (FSAs) may be as decided by Ministry of Coal/ CIL, subject to a maximum of 15 years. There may not be premature termination of FSAs of non-regulated sector as of now. However, there will be no renewal of existing FSAs of non-regulated sector [except FSAs of CPSEs and Fertilizer (Urea)] which are maturing in 2015-16 onwards.
- iii. The existing FSAs with Central Public Sector Enterprises (CPSEs) may continue to be renewed on expiry. However, in case CPSEs require linkages over and above the existing linkages, they may participate in auction of linkage.
- iv. In the first tranche, the quantity corresponding to FSAs of non-regulated sector [except CPSEs and Fertilizer (Urea)] maturing in 2015-16 onwards and 25% of incremental CIL/SCCL (Singareni Collieries Company Limited) production during 2015-16 over 2014-15 may be put up for auction.
- v. Separate quantities shall be earmarked for sub-sectors of non-regulated sector. The sub-sectors shall compete within themselves. The sub-sectors could be Cement, Steel/Sponge Iron, Aluminium, and Others [excluding Fertilizer (Urea) sector], including their Captive Power Plants (CPPs) etc. The Ministry of Coal may review the sub-sectors as and when required.

- vi. CIL will allocate/earmark coal from suitable source (rail/ road mode) within a subsidiary, as deemed fit. There shall be provision for third party sampling of coal supplied.
- vii. The methodology for auction of linkages shall be non-discriminatory Ascending Clock Auction where the system increases the price on the electronic platform till demand-supply equilibrium is established. There will be an initial reserve price and auction will be conducted on this reserve price.
- viii. If total demand is less than offered quantity, then all bidders will get coal at reserve price.
- ix. If total demand is more than offered quantity, then the price will be increased by the system and the process will continue till the demand-supply equilibrium is established.
- x. The price increment shall be determined based on a transparent computerized system without any manual interference.
- xi. Maximum bid quantity by a particular bidder shall not exceed the normative requirement of the End Use Plant. CIL shall chalk out annual or 6 monthly auction calendar.
- xii. Based on experience gained in the first tranche, the operational issues such as, the quantities, sectoral allocations and sub-sectoral earmarking, auction methodology and other operational details may also be appropriately reviewed

The auction has been envisaged as a transparent system of linkage allocation which is based on competitive bidding. Various consumer friendly measures such as 3rd party sampling, exit option, no performance incentive, delivery from specified mine/siding, back-up mine in the event of Force Majeure, etc. have also been introduced. A total of 23.75 Mtpa was earmarked for Tranche-I out of which 22.14 Mtpa has been booked. The auction was followed by signing of Fuel Supply Agreements (FSA) for the booked quantity. The tenure of the FSA is 5 years which can be further extended by another 5 years on mutual agreement.

Three tranches of linkage auction have been conducted till now. The sub-sector-wise performance report of Tranche-I, II & III of auctions is as under:

Sub-sector	Tranche – I (Jun - Oct'16)		Tranche – II (Jan - Jun'17)		Tranche –III (Sep - Nov'17)		Total (Tranche I, II & III)	
	Quantity booked (MTPA)	% gain	Quantity booked (MTPA)	% gain	Quantity booked (MTPA)	% gain	Quantity booked (MTPA)	% gain
Sponge Iron	2.05	0.51%	4.29	10.10%	2.54	7.20%	8.88	7.55%
Cement	0.68	0.16%	0.77	0.90%	0.12	0.00%	1.57	0.56%
CPP	18.07	8.97%	8.18	14.85%	4.59	22.05%	30.84	12.68%
Others	1.34	0.76%	1.27	5.14%	0.67	10.60%	3.28	4.50%
Steel (coking)	--	--	0.22	0.00%	0.00	--	0.22	0.00%
Others (coking)	--	--	0.04	0.00%	0.36	2.97%	0.39	2.68%
Total	22.14	6.95%	14.76	10.60%	8.28	13.37%	45.18	9.64%

* % gain over non-power notified price

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