GOVERNMENT OF INDIA
MINISTRY OF COAL
RAJYA SABHA
UNSTARRED QUESTION NO.2251
TO BE ANSWERED ON 09.08.2021

SHAKTI Policy

2251. SHRI NEERAJ DANGI:

Will the Minister of Coal be pleased to state:

(a) whether Government has launched Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI) policy for better allocation of coal to present and future power plants in India;

(b) if so, the detail of the SHAKTI policy and the current status of its implementation and the list of States, currently eligible under the SHAKTI policy;

(c) whether SHAKTI policy has been transparent and has addressed the coal linkage problems of all the stressed power plants;and

(d) if so, the details thereof along with the reaction of the Government thereto?

ANSWER

MINISTER OF PARLIAMENTARY AFFAIRS, COAL AND MINES

(SHRI PRALHAD JOSHI)

(a): Yes, Sir.

(b): The Government approved the fading away of the existing Letter of Assurance (LoA) - Fuel Supply Agreement (FSA) regime and introduced Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India (SHAKTI), 2017, which was issued by the Ministry of Coal on 22.05.2017. The Government also approved amendments to the SHAKTI Policy, 2017, which was issued by the Ministry of Coal on 25.03.2019. The main features of the SHAKTI Policy (as detailed under its various Paras) are as under:

Para A: FSA may be signed with pending LoA holders after ensuring that the plants are commissioned, respective milestones met, all specified conditions of the LoA fulfilled within specified time frame and where nothing adverse is detected against the LoA holder. Further, it has allowed continuation of the existing coal supply to the capacities of about 68,000 MW at the rate of 75% of Annual Contracted Quantity (ACQ), which may further be increased in future, based on coal availability. The policy has enabled coal supplies at 75% of ACQ against FSA to about 19,000 MW capacities, which have been delayed in commissioning, provided these plants are commissioned within 31.03.2022. The medium term Power Purchase Agreements (PPAs) to be concluded in future against bids invited by DISCOMS have also been made eligible for linkage coal supply.

Para B (i): The Coal India Limited (CIL)/ the Singareni Collieries Company Limited (SCCL) may grant coal linkages to State/Central Gencos/Joint Ventures at notified price on the recommendations of the Ministry of Power.

Para B (ii): Linkages to Independent Power Producers (IPPs), having Long Term PPAs based on domestic coal, where IPPs, participating in auction, will bid for discount on the tariff (in paise/unit). The bidders, who could not participate in the linkage auction under B (ii) due to any reason, may be allowed to participate in the B (ii) auctions of this policy. Further, the bidders, who could not secure linkage for full ACQ, may obtain linkage for the balance quantity by participating in future auctions at a later stage under B (ii) after bench marking discount.

Para B (iii): Linkages to IPPs/ Power Producers without PPAs shall be on auction basis.

Para B (iv): Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States. The States may indicate these linkages to DISCOMS/State Designated Agencies (SDAs).

Para B (v): Power requirement of group of States can also be aggregated and procurement of such aggregated power can be made by an agency, designated by the Ministry of Power or authorized by such States on the basis of tariff based bidding.

Para B (vi): Linkages shall be granted for full normative quantity to Special Purpose Vehicle (SPV) incorporated by nominated agency for setting up Ultra Mega Power Projects (UMPPs) under Central Government initiative through tariff based competitive bidding under the guidelines for determination of tariff, on the recommendation of the Ministry of Power.

Para B (vii): The Ministry of Coal, in consultation with the Ministry of Power, may formulate a detailed methodology of a transparent bidding process for allocating coal linkages to IPPs, having PPAs, based on imported coal with full pass through of cost savings to the consumers.

Para B (viii):

(a) Power plants with no PPAs are allowed coal linkage under B (iii) & B (iv) for a period of minimum 3 months upto a maximum of 1 year for sale of power generated through the linkage in Day Ahead Market (DAM) through power exchanges or in short term through Discovery of Efficient Energy Price (DEEP) portal.

(b) Use of the existing coal linkage for sale of power through short term PPAs using DEEP portal or power exchange by the generator, which terminates PPA in case of default in payment by the DISCOM, for a maximum period of 2 years or until they find another buyer of power under long /medium term PPA, whichever is earlier.

(c) Coal linkage under B (v) is also applicable in cases, where the nodal agency designated by the Ministry of Power aggregates/procures the power requirement for a group of States even without requisition from such States.

(d) Central and State generating companies can act as an aggregator of power of stressed power assets.

(e) Mechanism to ensure servicing of debt.

As of now, coal linkages to the following capacities have been granted under various Paras of the policy:

(i) Clearance has been given for signing of Fuel Supply Agreement (FSA) to 9 LoA holders with a total capacity of 7,210 MW under provisions of para A(i) of SHAKTI policy.

(ii) 23 Thermal Power Plants (TPPs) have been granted linkage for a total capacity of 25340 MW under provisions of para B (i) of SHAKTI policy.

(iii) First round of linkage auction under B(ii) of SHAKTI policy was conducted in September, 2017, whereby 27.18 Million Tonne Per Annum (MTPA) of annual coal linkage was booked by ten successful bidders for about 9,045 MW capacity. In the second round conducted in May, 2019 quantity of 2.97 MTPA of linkage has been booked by eight bidders for about 874.9 MW capacity. In the third round, auction has been conducted by PFC Consulting Limited (PFCCL) during May, 2020, where, 2.8 MTPA linkages have been booked by 5 successful bidders.

(iv) The linkage auction for SHAKTI B (iii) was conducted in February, 2020, where out of the total offer of 11.8 MTPA, 6.48 MTPA was booked by 7 successful bidders.

(v) Coal linkage have been earmarked from CIL for the States of Gujarat, Uttar Pradesh and Madhya Pradesh for a capacity of 4000 MW, 1600 MW and 2640 MW respectively for linkage under B(iv) of SHAKTI Policy.

(vi) Coal linkage earmarked from CIL for a capacity of 2500 MW for linkage under B(v) of SHAKTI Policy.

(vii) 6 tranches of Linkage Auction have been conducted by Coal India Limited under B(viii)(a) of SHAKTI Policy. Out of total offered quantity of 32.02 MT of Coal, 4.85 MT have been booked by successful bidders.

All the Generating companies of States and Union Territories are eligible for coal linkage under SHAKTI Policy, subject to terms and conditions mentioned in the Policy.

(c) & (d): SHAKTI Policy is a transparent way of allocating coal to the Power Plants including stressed power plants. An Inter-Ministerial Committee (IMC) consisting of various concerned Ministries / Departments like Ministry of Power, Ministry of Railways, Central Electricity Authority and the coal companies have been constituted to formulate methodologies prescribed under the provisions of the SHAKTI Policy as well as to make recommendations on issues that are arising or are likely to arise during the course of implementation of the SHAKTI Policy. IMC provides a platform for consultation with the concerned Ministries / Departments and the coal companies for smooth implementation of the provisions of SHAKTI Policy. Further, coal linkages to Independent Power Producers are granted either by way of transparent auction mechanism or are earmarked to State(s) for granting the coal linkages based on tariff based bidding of Power Purchase Agreements (PPA).

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