

**GOVERNMENT OF INDIA
MINISTRY OF COAL
LOK SABHA
UNSTARRED QUESTION NO.1812
TO BE ANSWERED ON 21.09.2020**

Shakti Scheme

1812. SHRIMATI SANGEETA KUMARI SINGH DEO:

SHRI BHOLA SINGH:

DR. JAYANTA KUMAR ROY:

SHRI RAJA AMARESHWARA NAIK:

SHRI VINOD KUMAR SONKAR:

DR. SUKANTA MAJUMDAR:

Will the Minister of COAL be pleased to state:

- (a) whether the Government has launched SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) policy for better allocation of coal to present and future power plants in India;
- (b) the main features of the SHAKTI scheme and the current status of its implementation in the country;
- (c) the list of States, currently eligible under the SHAKTI scheme;
- (d) whether SHAKTI has been transparent and helped to address the coal linkage problems of all stressed power plants;
- (e) if so, the details thereof along with the reaction of the Government thereto; and
- (f) the details of the sanctioned/ongoing projects that are being undertaken by Karnataka and the funds transferred under the said scheme?

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. A copy of SHAKTI policy is at Annexure.

Coal linkages to the following capacities have been granted under various provisions of the SHAKTI policy:

- (i) Clearance has been given for signing of Fuel Supply Agreement (FSA) for 10 power plants with a total capacity of 6,550 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. During the second round, 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, 6.5 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) Auction for April-June'2020 was completed during March 2020 for linkage under provisions of paraB(viii)(a) of SHAKTI policy. Out of 5.77 MT of coal offered by CIL, 1.34 MT was booked by 9 successful bidders. Auction for July-September, 2020 was completed on 13.07.2020. 4.91 MT coal was offered by CIL and 0.63 MT coal was booked by 8 successful bidders.

(c): All the States and Union Territories are eligible under SHAKTI policy, subject to terms and conditions mentioned in the policy.

(d): SHAKTI policy is a transparent way of allocating coal to the Power Plants including stressed power plants.

(e): The Cabinet Committee on Economic Affairs (CCEA) on 07.03.2019 had considered the Note from the Ministry of Power on the recommendation of Group of Ministers (GoM) Constituted to examine the specific recommendation of High Level Empowered Committee (HLEC) constituted to address the issues of Stressed Thermal Power Projects and has approved the amendments in the SHAKTI Policy issued by Ministry of Coal on 25.03.2019 and para B(ii)(i), B(ii) (ii) and Para B(viii) (a) to (e) have been added to the SHAKTI policy.

(f): Coal linkage has been granted to Karnataka Power Corporation Limited for Bellary TPS Unit-3 (700 MW) and Yermarus Thermal Power Station (2x800 MW) under B(i) of SHAKTI Policy. There is no Provision of fund transfer under the SHAKTI Policy.

IMMEDIATE

No. 23011/15/2016-CPD/CLD
Government of India
Ministry of Coal

Shastri Bhawan,
New Delhi, the 22nd May, 2017

To

- (i) Chairman-cum-Managing Director,
Coal India Limited,
Coal Bhawan, New Town,
Rajarhat, Kolkata-700156.
- (ii) Chairman-cum-Managing Director,
SCCL, PB No. 18,
Khairatabad, Hyderabad,
Telangana.

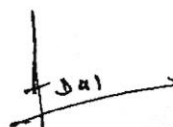
Subject: Signing of Fuel Supply Agreement (FSA) with Letter of Assurance (LoA) holders of Thermal Power Plants- Fading Away of the existing LoA-FSA Regime and Introduction of a New More Transparent Coal Allocation Policy for Power Sector, 2017- SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India).

Sir,

The proposal of Coal linkages Allocation Policy for Power Sector has been under examination in this Ministry. With the approval of Cabinet Committee on Economic Affairs (CCEA), the following policy guidelines for allocation of Coal linkages to Power Sector have been decided:

(A) Under the old regime of LoA-FSA:

- i. FSA may be signed with the pending LoA holders after ensuring that the plants are commissioned, respective milestones met, all specified conditions of the LoA fulfilled within specified timeframe and where nothing adverse is detected against the LoA holders. The outer time limit within which the power plant of LoA holders must be commissioned for consideration of FSA shall be 31.03.2022, failing which LoA would stand cancelled. Coal supply to these capacities may be at 75% of ACQ. The coal supply to these capacities may be increased in future based on coal availability.
- ii. The 583 pending applications for LoA need not be considered and may be closed.



iii. The capacities totaling about 68,000 MW as per the decision of CCEA dated 21.06.2013 would continue to get coal at 75% of ACQ even beyond 31.03.2017. The coal supply to these capacities may be increased in future based on coal availability.

iv. About 19,000 MW capacities out of the 68,000 MW could not be commissioned by 31.03.2015. Coal supply to these capacities may be allowed at 75% of ACQ against FSA provided these plants are commissioned within 31.03.2022. The coal supply to these capacities may be increased in future based on coal availability.

v. Actual coal supply to power plants shall be to the extent of long-term PPAs with DISCOM/State Designated Agencies (SDAs) and medium term PPAs to be concluded in future against bids to be invited by DISCOMs as per bidding guidelines issued by Ministry of Power.

With these, the old regime of LoA-FSA would come to finality and fade away.

(B) The following shall be considered under a New More Transparent Coal Allocation Policy for Power Sector, 2017-SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India):

(i) CIL/SCCL may grant Coal linkages for Central Government and State Government Gencos at the notified price of CIL/SCCL. Similarly, coal linkages may be granted for JVs formed between or within CPSUs and State Govt./PSUs. The recommendations shall be made by Ministry of Power.

(ii) CIL/SCCL may grant coal linkages on notified price on auction basis for power producers/IPPs having already concluded long term PPAs (both under section 62 and section 63 of The Electricity Act, 2003) based on domestic coal. Power producers/IPPs, participating in auction will bid for discount on the tariff (in paise/unit). Bid Evaluation Criteria shall be the non-zero Levellised Value of the discount (applying a pre-notified discount rate) quoted by the bidders on the existing tariff for each year of the balance period of the PPA. Ministry of Coal may, in consultation with Ministry of Power, work out a methodology on normative basis to be used in the bidding process for allocation of coal linkages to IPPs with PPAs.

(a) The discount by generating companies would be adjusted from the gross amount of bill at the time of billing, i.e., the original bill shall be raised as per the terms and conditions of the PPA and the discount would be reduced from the gross amount of the bill. The discount shall be computed with reference to scheduled generation from linkage coal supplied under this auction. This would be applicable to both the PPAs contracted under Section 62 as well as Section 63 of the Electricity Act, 2003.

(b) Accordingly, PPA may be amended or supplemented mutually between the developer and the procurer to pass on the discount to the procurer and the approval of the Appropriate Commission obtained, as per the provisions of the PPA or Regulations.



(c) FSA shall be signed with the successful bidders after the terms and conditions for signing of FSA are met and the Appropriate Commission has approved the amendment or supplement to the PPA.

(iii) CIL/SCCL may grant future coal linkages on auction basis for power producers/PPPs without PPAs that are either commissioned or to be commissioned. All such power producers/PPPs may participate in this auction and bid for premium above the notified price of the coal company. The methodology for bidding of linkages shall be similar to the bidding methodology in the policy on auction of linkages of Non-Regulated Sector dated 15.02.2016. Coal drawal will be permitted only against valid long term and medium term PPA with Discoms/State Designated Agencies (SDAs), which the successful bidder shall be required to procure and submit within two years of completion of auction process.

(a) In case of the commissioned capacities, FSA shall be signed with the successful bidders after completion of the auction process provided that the standard terms and conditions for signing of FSA are met. In case of others, a Letter of Assurance (LoA) may be issued by CIL/SCCL to the successful bidder and FSA shall be signed after commissioning of the unit and fulfilling other conditions of the LoA.

(b) Further, if the power producer/PPP, does not start drawing the coal within two years of submission of the PPA, the FSA or the LoA, as the case may be, shall stand terminated.

(iv) Coal linkages may also be earmarked for fresh PPAs, by pre-declaring the availability of coal linkage with description, to the States. States may indicate these linkages to Discoms/SDAs.

I. The States/Discoms may, based on such linkages, undertake tariff based competitive bidding for long-term and medium-term procurement of power as per the guidelines issued by Ministry of Power and may recommend grant of these linkages to successful bidders. In case of the commissioned capacities, FSA shall be signed with the successful bidder after completion of the auction process. In case of the likely to be commissioned capacities, a Letter of Assurance may be issued by CIL/SCCL to the successful bidder and FSA shall be signed on commissioning of the unit. The successful bidder shall be required to meet the conditions specified in the Letter of Assurance and FSA. The existing FSA/LoA holders may also participate in the competitive bidding for PPA and, if successful, shall surrender proportionate quantity of the FSA/LoA for the corresponding tenure; or

II. The States/Discoms may recommend grant of the earmarked linkages to capacities that are covered under exceptions and proviso clauses of para 5.2 of the Tariff Policy dated 28.01.2016. A Letter of Assurance may be issued by CIL/SCCL to such capacities and FSA shall be signed on commissioning of the unit.



Provided

(a) The priority between (iv) I and (iv) II above will be decided by the State Government concerned considering its public interest and based on its requirements.

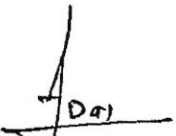
(b) The quantity remaining unutilized for 2 years continuously shall lapse. Detailed policy guidelines for sub para (iv) shall be formulated by Ministry of Power.

(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 Ministry of Power or authorized by such States on the basis of tariff based bidding. Coal linkages will be earmarked for such agencies by pre-declaring the availability of coal linkage with description, based on which such agency will undertake tariff based competitive bidding for long-term and medium-term procurement of power and recommend grant of these linkages to successful bidders. The methodology in this regard shall be formulated by Ministry of Power.

(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 (UMPP) under Central Government initiative through tariff based competitive bidding under the guidelines for determination of tariff, on the recommendation of Ministry of Power.

(vii) Ministry of Coal in consultation with Ministry of Power may, subject to the availability of coal and the condition that such supply does not adversely impact the availability of coal for plants based on domestic coal, 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 saving to consumers. Further, the successful bidder would not be allowed to claim any upward revision in the tariff on account of such coal linkages.

2. Since the Competent Authority has approved the proposal of Coal linkages Allocation Policy for Power Sector as mentioned in para 1 above, policy guidelines are circulated to all concerned for further action. The action taken report shall be sent to this Ministry from time to time.


(A.K. Das)

Under Secretary to the Govt. of India

Copy to:

1. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
2. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
3. CEO, NITI Aayog, Yojana Bhawan, New Delhi.

4. Chairman, Railway Board, Rail Bhawan, New Delhi
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi
6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi
8. Secretary, Ministry of Chemicals and Fertilizers, Department of Fertilizers
9. Secretary, Ministry of Mines, Shastri Bhawan, New Delhi
10. Secretary, Department of Financial Services, Jeevan Deep Building New Delhi.
11. Prime Minister's Office, (Kind Attn. - Shri A. K. Sharma, Joint Secretary), South Block, New Delhi.
12. Cabinet Secretariat (Kind Attn. - Shri S. G. P. Verghese, Director), Rashtrapati Bhawan, New Delhi.
13. Director (Marketing), Coal India Ltd. Kolkata, Coal Bhawan, New Town, Rojarhat, Kolkata-700156.
14. ED/Coal Movement, SCCL, PB No. 18, Red Hills, Khairatabad, Hyderabad, Telengana
15. CMD, CMPDI, Gondwana Place, Kanke Road, Ranchi, Jharkhand.
16. Chairman, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.

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Copy to Director, NIC, M/o Coal with the request to place the same on the website of this Ministry.


(A.K. Das)

Under Secretary to the Govt. of India

F.No. CLD-23028/10/2018-CLD-Part(1)

Government of India

Ministry of Coal

Shastri Bhawan, New Delhi

Dated the 25th March, 2019

To

I. Chairman-cum-Managing Director,
Coal India Limited,
Coal Bhawan, New Town,
Rajarhat, Kolkata – 700156

II. Chairman-cum-Managing Director,
SCCL, PB No. 18,
Khairatabad, Hyderabad,
Telangana

Subject: Signing of Fuel Supply Agreement (FSA) with Letter of Assurance (LoA) holders of Thermal Power Plants – Fading Away of the existing LoA – FSA Regime and Introduction of a New More Transparent Coal Allocation Policy for Power Sector, 2017 – SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India)

Sir,

I am directed to say that the Cabinet Committee on Economic Affairs (CCEA) on 07.03.2019 had considered the Note from the Ministry of Power on the recommendations of Group of Ministers (GoM) constituted to examine the specific recommendations of High Level Empowered Committee (HLEC) constituted to address the issues of Stressed Thermal Power Projects and has approved the following amendments in the Policy on 'Signing of Fuel Supply Agreement (FSA) with Letter of Assurance (LoA) holders of Thermal Power Plants – Fading Away of the existing LoA – FSA Regime and Introduction of a New More Transparent Coal Allocation Policy for Power Sector, 2017 – SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India)' issued by Ministry of Coal vide letter no. 23011/15/2016-CPD/CLD dated 22.05.2017:

I. Following is added at the end of first para of B (ii) of Shakti Policy, after the words "with PPAs".

(i) The power plants which were having valid already concluded Long Term PPA, based on domestic coal on or before 17.05.2017 and who could not participate in the linkage auctions under SHAKTI B (ii) due to any reason, may be allowed to participate in the B (ii) auctions of SHAKTI scheme.

(ii) Bidders who have already participated in SHAKTI B (ii) auctions and could not secure linkage for the full ACQ, may obtain the linkage for the balance quantity also by participating in future auctions at a later stage under B (ii) after benchmarking discount.

II. At the end of para B (iii) of Shakti Policy, after the words 'auction process', following words are added: "Such auctions/bids shall be held at regular intervals".

III. The following clause is added after clause B (vii) of SHAKTI Policy:

B (viii): Notwithstanding anything in the foregoing paras, it is further provided as follows:

a) All such power plants including private generators which do not have PPAs, shall be allowed Coal linkage under B (iii) and B (iv) of Shakti Policy for a period of minimum 3 months upto a maximum of 1 year, provided further that the power generated through that linkage is sold in Day Ahead Market (DAM) through power exchanges or in short term through a transparent bidding process through Discovery of Efficient Energy Price (DEEP) portal. A methodology in this regard shall be formulated by Ministry of Power in consultation with Ministry of Coal.

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

Surender Kumar

safeguards to be put in place.

c) The provision of para B(v) of Shakti Policy above shall also be applicable in cases where the nodal agency designated by 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 such stressed power assets and procure it through transparent bidding process and offer that power to the DISCOM against their existing PPAs to such DISCOMS, till such time their own plants get commissioned. Central and State generating companies may be allowed to use the existing unutilized Bridge Linkages for such stressed power assets provided they meet other parameters of tolling guidelines including competitive bidding.

e) In all cases where provisions of B(viii)(a)(b)(c) and (d) above are utilized, net surplus after meeting operating expenses generated in this manner shall be entirely used for servicing debt in the first place. MoP will work out in consultation with DFS – a mechanism to ensure this.

2. The above amendments in SHAKTI Policy, 2017 is circulated to all concerned for further action. CIL and its subsidiaries and SCCL are advised to take further action accordingly.

Yours faithfully,

Sujeet Kumar 25/2/19
(Sujeet Kumar)

Under Secretary to the Government of India

Copy to:

1. Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi
2. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi
3. CEO, NITI Aayog, Yojana Bhawan, New Delhi
4. Chairman, Railway Board, Rail Bhawan, New Delhi
5. Secretary, Ministry of Steel, Udyog Bhawan, New Delhi

6. Secretary, Department of Industrial Policy and Promotion, Udyog Bhawan, New Delhi
7. Secretary, Ministry of Law and Justice, Department of Legal Affairs, Shastri Bhawan, New Delhi
8. Secretary, Ministry of Chemicals and Fertilizers, Department of Fertilizers
9. Secretary, Ministry of Mines, Shastri Bhawan, New Delhi
10. Secretary, Department of Financial Services, Jeevan Deep Building, New Delhi
11. Prime Ministers Office, South Block, New Delhi
12. Cabinet Secretariat (Kind Attention: Shri S. G. P. Varghese, Director), Rashtrapati Bhawan, New Delhi
13. Director (Marketing), Coal India Limited, Coal Bhawan, New Town, Rajarhat, Kolkata
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16. Chairman, Central Electricity Authority, Sewa Bhawan, R.K Puram, New Delhi

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6. PPS to JS & FA, Ministry of Coal
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8. PS to JS (BPP), Ministry of Coal
9. PS to Economic Advisor, Ministry of Coal
10. PS to Advisor (Projects), Ministry of Coal
11. PS to DDG, Ministry of Coal
12. PS to Director (CLD), Ministry of Coal

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