

No. 23/30/2019-R&R
Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg,
New Delhi, the 21st August, 2019

To

1. Secretary, Ministry of Coal, New Delhi
2. The Chairperson, Central Electricity Authority, R. K. Puram, New Delhi.
3. The Secretary, CERC, Chanderlok Building, Janpath, New Delhi.
4. Principal Secretaries/Secretaries (Power/Energy) of all State Governments/UTs.
5. Secretaries of all State Electricity Regulatory Commissions/JERCs
6. Chairman/CMDs of all PSUs under administrative control of Ministry of Power.
7. CMDs/MDs of Discoms/Gencos of all State Governments.
8. DG, Association of Power Producers (APP), New Delhi
9. CEO, PFCCL, New Delhi
10. CMD, CIL, Kolkatta,
11. CMD, SCCL
12. MD/CEO, IEX Ltd, New Delhi
13. MD/CEO, PXIL, Mumbai

Sub: Draft Methodology for allocation of coal as per provisions of Para B (viii) (a) of SHAKTI Policy of Ministry of Coal amended as per Para 2.1 (a) of HLEC Recommendations- Reg

Sir/Madam,

I am directed to say that Ministry of Power vide OM No. L-2/2018-IPC(Part-4) dated 8.3.2019 has issued an OM on the subject of "Approval of the Government 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". As per above said OM dated 8.3.2019, certain amendments to be made in the SHAKTI Policy issued vide MoC letter no. 23011/15/2016-CPD/CLD dated 22.05.2017.

2. Subsequently, Ministry of Coal has made some amendments in SHAKTI policy issued in May, 2017(as per points 2.1, 2.2 and 2.3 of the said OM dated 08.03.2019) and circulated vide OM dated 25.03.2019.

3. Para **B (viii) (a)** of amended SHAKTI Policy of Ministry of Coal provides that:

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.**

4. In view of above, to facilitate allocation of coal as per provisions of Para **B (viii) (a)** of SHAKTI Policy, a draft methodology has been formulated and attached herewith. It is requested to furnish comments/suggestions on the draft methodology, if any, to this Ministry latest by **03/09/2019**. The comments may be mailed at **debranjan.chattopadhyay@nic.in** and **sandeep.naik68@gov.in**.

Yours faithfully,

Encl: As above



(Debranjana Chattopadhyay)
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Copy to:

All JSs of Ministry of Power & Economic Adviser, Ministry of Power

Copy for information to: PPS to Secy.(P), PPS to SS(Power), PPS to AS(SKGR), PS to CE(RR &OM), PS to Dir(R&R)

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Draft Methodology for allocation of coal as per provisions of Para B (viii) (a) of SHAKTI Policy of Ministry of Coal amended as per Para 2.1 (a) of HLEC Recommendations

A. Background:

- I. An OM was issued by Ministry of Power on 8.3.2019 conveying approval of the Government 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. As per said OM dated 8.3.2019, certain amendments to be made in the SHAKTI Policy issued vide MoC letter no. 23011/15/2016-CPD/CLD dated 22.05.2017. As per Para 2.1 of the OM, following clause is to be 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 safeguards to be put in place.
- c) The provision of pars 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. It is proposed that 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.

II. Subsequently, Ministry of Coal has made amendments in SHAKTI policy issued in May, 2017(as per points 2.1, 2.2 and 2.3 of the said OM dated 08.03.2019) and circulated vide OM dated 25.03.2019.

III. **Para B (viii) (a) of the amended SHAKTI Policy issued by Ministry of Coal read as:**

"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."**

IV. **Para B(iii) of the amended SHAKTI Policy issued by Ministry of Coal read as:**

CIL/SCCL may grant future coal linkages on auction basis for power producers/IPP's without PPAs that are either commissioned or to be commissioned. All such power producers/IPP's 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. Such auctions/bids shall be held at regular intervals.

(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/IPP 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.

V. **Para B(iv) of the SHAKTI Policy read as :**

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.

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

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.

B. Draft Methodology:

- i. As per provisions of Para B (viii) (a) of SHAKTI Policy of Ministry of Coal amended as per Para 2.1 (a) of HLEC Recommendations, this methodology has been prepared by Ministry of Power in consultation with Ministry of Coal.
- ii. **Applicability:**
This methodology shall be applicable to all coal based Thermal Power Plants including private generators.
- iii. **Auction of Coal Linkages:**
Auction of coal linkages shall be carried out as a separate window for auction of coal linkage under Para B(III) of SHAKTI policy.

- iv. Periodicity of auctions:**
Auctions for coal linkage under this methodology shall be carried out at frequent intervals at least twice a year, to cater to the dynamic requirements and demand variations in short term and day-ahead markets.
- v. Identification of coal for auction:**
Coal Companies (CIL/SCCL) shall earmark coal from Area or Mine within a subsidiary, in advance which may be allocated for use as per this methodology. Coal companies shall initiate auction of coal linkages specifying quantum of coal available, quality of coal(GCV/ Grade), source of coal, period for which such coal shall be made available and with schedule to start supply of coal.
- vi. Minimum quantity of coal linkage for auction:**
The quantity of coal linkage for auction should be corresponding to the duration for which coal is offered at the rate of at least 2 MT/ Annum which corresponds to running of a 500 MW unit.
- vii. Duration of coal linkage:**
CIL/SCCL may grant future coal linkages to power producers/IPPs without PPAs that are either commissioned or to be commissioned. Coal linkage shall correspond to the consumption of coal by the power plant for its running for a period of minimum 3 months up to a maximum of 1 year. Accordingly, CIL/SCCL shall specify the duration for which the coal would be available.
- viii. Allocation of coal linkage:**
The coal linkage shall be given under **Para B(iii) of SHAKTI Policy issued by the Ministry of Coal dated 22.05.2017** for the quantum of power for which capacity has already been commissioned, under commissioning and such capacity does not have any Power Purchase Agreements.
- ix. Eligibility of Power Plants for participation in auctions:**
All such power plants which do not have Power Purchase Agreements (PPAs), shall be allowed to participate for auction of Coal linkage for short term period (maximum upto one year) with a conditions specified in this methodology.
- x. Methodology for Bidding:**
All such power producers/IPPs may participate in auction and bid for premium above the notified price of coal by 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. As the coal is for short term and for sale of power on Day Ahead Market (DAM) or Intraday market in the power exchange, the base price of coal should be the notified price of coal by the coal companies.

xi. FSA/LOA:

In case of the commissioned capacities, FSA for supply of coal for sale of power in short term or power exchange shall be signed with the successful bidders after completion of the auction process. 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.

xii. Drawl of coal:

Coal supply should be on regular basis as per the schedule mutually agreed between the coal company and the power plant. In case of any shortfall in supply of coal from the coal company to power plant, the coal company shall supply the balance quantity of coal in the next two months from the last date of initial delivery period. Generating company shall ensure that the coal supplied is fully used for sale of electricity in short term and the power exchange within one month from the last date of extended delivery period by the coal company. The generating station shall furnish the monthly generation statements showing the actual sale of power against short term contracts or in Power Exchanges using coal supplied as per this methodology.

xiii. Use of power generated through allocated coal linkage:

The power generated through use of the above coal linkage is to be sold in:-

- a) Day Ahead Market (DAM) and Intraday market through power exchanges set up as per regulations issued by Central Electricity Regulatory Commission or
- b) Short term through a transparent bidding process as per the Guidelines issued by Ministry of Power through Discovery of Efficient Energy Price (DEEP) portal. Ministry of Power vide OM dated 30.03.2016 has issued Guidelines for Procurement of Power for short Term (i.e. for a period more than one day to one year) by Distribution Licensees through Tariff based bidding process using National e-Bidding portal. The same guidelines, as amended from time to time, shall be followed by Distribution Licensees for procurement of short term power under this methodology.

- xiv.** Methodology for allocating coal linkage to power plants for short term use as per Para B(VIII) (a) covering Para B(iv) of SHAKTI policy shall be issued subsequently based on the experience gained in allowing coal linkage for short term use as per above methodology prepared as per provisions of Para B(VIII) (a) covering Para B(iii) of SHAKTI policy.
