

**No. FU-8/2015-IPC(Vol-V); CN:243554**

**Government of India**

**Ministry of Power**

Shram Shakti Bhawan, Rafi Marg,  
New Delhi, dated 06.04.2022

**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. DG, DCPPA
10. CEO, PFCCL, New Delhi
11. CMD, CIL, Kolkata
12. CMD, SCCL
13. MD/CEO, IEX Ltd, New Delhi
14. MD/CEO, PXIL, Mumbai

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

Sir/Madam,

I am directed to refer to this Ministry's letters number dated 23/30/2019-R&R dated 02.12.2019 and 12.05.2020 forwarding therewith the Methodology for allocation of coal as per provisions of Para B (viii) (a) covering Para B(iii) of SHAKTI Policy of Ministry of Coal amended as per Para 2.1 (a) of HLEC Recommendations.

P.to

2. In this regard, the methodologies dated 02.12.2019 and 12.05.2020 is further modified and enclosed.
3. This issues with the approval of Hon'ble Minister of Power & NRE.

**Encl: As above**

**Yours faithfully,**



**(S.Majumdar)**

**Under Secretary to the Govt. of India**

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**Copy to:**

All JS/CE(Thermal) of Ministry of Power & Economic Advisor, Ministry of Power

**Copy for information to:** PS to Hon'ble Minister, PPS to Secy.(P), PPS to AS&FA(AU), PPS to AS(SKGR), PPS to AS(VKD),PS to JS(R&R).

**Copy to: Technical Director, NIC:-** With a request to upload in Ministry of Power website under Current Notices.

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

- i. This methodology has been prepared by Ministry of Power in consultation with Ministry of Coal for allocation of coal to power plants for short term use as per the provision of Para B(viii) (a) covering Para B(iii) of SHAKTI policy.

- ii. **Auction of Coal Linkages:**

Auction of coal linkages shall be carried out under three separate windows for auction of coal linkage under Para B(iii) of SHAKTI Policy for delivery period of 3 months, 6 months and 12 months.

- iii. **Identification of coal for auction:**

Within 30 days of the issue of this order, the Coal Companies (CIL/SCCL) will earmark areas/mines within their subsidiaries, which will be allocated for use as per these guidelines and publish the same on their websites, sufficiently in advance before each auction, indicating the quality of coal (GCV/Grade), the quantum of coal available/proposed for auction, period for which such coal shall be made available and the schedule for start of supply of coal.

- iv. **Periodicity of auctions:**

Auctions for coal linkage under this methodology shall be carried out on a monthly basis in three separate windows having a term period of 03 months, 06 months and 12 months to cater to the dynamic requirements and demand variations in short term and day ahead market in power exchanges. Auctions under these three windows are required to be carried out at regular intervals every month. An annual calendar shall be published on Coal Companies website showing the months in which the auctions will be held. The expenses for conducting such auctions will be recovered by CIL.



v. **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 conditions specified in this methodology.

vi. **Quantity of coal linkage to a power plant:**

The quantity of Coal linkage which a plant may bid will be decided as per the heat rate, which shall not be more than 2600 kCal/kWhr for the untied capacity of the plant. The CEA will call for applications and publish a list of eligible plants/their heat rate/capacity. Coal linkage shall correspond to a quantity not exceeding the quantity of coal required to operate the untied capacity of the power plant at 85% PLF for the duration of coal linkage.

vii. **Duration of coal linkage:**

CIL/SCCL may grant future coal linkages to Power Producers/ IPPs without PPAs that are commissioned. Coal linkage shall correspond to the consumption of coal by the power plant for its running for a period of 3 months, 6 months and 12 months. Accordingly, the duration for which the coal would be available is given below:

<b>Auction Window</b>	<b>Lifting Period</b>	<b>Utilization Period</b>
3 months	3 months	9 months
6 months	6 months	12 months
12 months	12 months	18 months

There are model FSA already available for various SHAKTI B(viii)(a) auction. The above duration may be captured in the model FSA suitably by CIL/SCCL. CIL/SCCL will upload model FSA which will be uniformly adopted across all coal companies and CIL/SCCL shall follow uniform practices across its coal subsidiaries.





viii. **Allocation of coal linkage:**

The coal linkage shall be given under Para B(iii) of SHAKTI Policy dated 22.05.2017 issued by the Ministry of Coal and its subsequent amendments for the quantum of power for which capacity has already been commissioned and such capacity does not have any Power Purchase Agreements.

ix. **Methodology for Bidding:**

All such power producers/IPP's may participate in auction and bid for a premium above the notified price of coal by the coal companies. 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) in the power exchange, the base price of coal should be the notified price of the coal by the coal companies.

x. **Agreement for coal supply:**

An agreement 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.

xi. **Drawl of coal & Reconciliation:**

The generating station shall send monthly signed statements to CEA showing the quantum of coal drawn as per these rules along with the power generated and sold, and the balance coal stocks. In case, it is found that the coal has been diverted, the said generating station shall not be given coal under any policy for a period of three years. The generating company shall send a monthly financial statement to the principal debtors with a copy to CEA showing that the net surplus generated after meeting its operating expenses are being used for remitting its debt.



xii. **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), 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 had 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.
- xiii. The mechanism issued by Ministry of Power vide OMs dated 05.08.2019 and 20.08.2019 as per the provision of B (viii) (e) of amended SHAKTI policy (i.e. net surplus after meeting the operating expenses generated in this manner shall be entirely used for servicing debt in the first place), shall be complied.
- xiv. The 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.

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