

**No. 23/30/2019-R&R**  
**Government of India**  
**Ministry of Power**  
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Shram Shakti Bhawan, Rafi Marg,  
New Delhi, the 02<sup>nd</sup> December, 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: 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 say that Ministry of Power vide OM No. L-2/2018-IPC(Part-4) dated 08.03.2019 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 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).

3. The amended SHAKTI Policy was circulated by Ministry of Coal vide OM dated 25.03.2019 by incorporating the above changes and Para **B (viii) (a)** of amended SHAKTI Policy 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 the above, a methodology has been formulated in consultation with Ministry of Coal to facilitate allocation of coal as per provisions of **Para B (viii) (a)** covering Para B(iii) of SHAKTI Policy and attached herewith.

5. This issues with the approval of the Competent Authority.

Yours faithfully,

Encl: As above



(Debranjana Chattopadhyay)  
Under Secretary to Govt. of India  
Ph: 011-2373 0265

**Copy to:**

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

**Copy for information to:** PS to Hon'ble Minister, Sr..PPS to Secy.(P), PPS to AS(SKGR), Sr.PPS to CE(RR &OM), PS to Dir(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

**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 08.03.2019, 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/IPPs without PPAs that are either commissioned or to be commissioned. All such power producers/IPPs 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.

## **B. Methodology:**

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 as a separate window for auction of coal linkage under Para B(iii) of SHAKTI policy.

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

Within 45 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 website indicating the quality of Coal(GCV/Grade), the quantum of coal available, 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 every quarter to cater to the dynamic requirements and demand variations in short term and day-ahead markets. An annual calendar shall be published on Coal Companies website showing the months in which the auctions will be held.

**v. Eligibility of Power Plants for participation in auctions:**

All such power plants excluding Captive Power Plants, which have untied capacity (Power plant capacity without Power Purchase Agreements[PPAs]) of more than fifty percent, shall be allowed to participate for auction of Coal linkage for short term period with a conditions specified in this methodology.

**vi. Minimum quantity of coal linkage for auction:**

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.

**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. 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 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/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) in the power exchange, the base price of coal should be the notified price of 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 stating the quantum of coal drawn as per these rules, the power generated and sold, and the balance coal remaining. 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 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 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.

**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 operating expenses generated in this manner shall be entirely used for servicing debt in the first place), shall be complied.

**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.

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