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D.O.No.FU-7/2008-IPC

नई दिल्ली - 110001  
NEW DELHI - 110001  
July-24, 2008

Dear Shri Sethi,

This is regarding the recommendations made by this Ministry in consultation with Central Electricity Authority (CEA) for grant of long term coal linkages to the power projects, including CPPs and MPPs coming up during the 11<sup>th</sup> Plan or during the beginning of 12<sup>th</sup> Plan.

2. Coal linkage plays a crucial role in facilitating the achievement of financial closure and subsequent construction and commissioning of power plant. It is imperative, therefore, that coal linkages are granted and fuel supply agreements are entered into between the project developers and the coal companies in tandem with the time schedule of development of the projects. Projects which are to achieve commissioning in the first two years of the 12<sup>th</sup> Plan should be working towards financial closure right away.

3. Keeping this in view, the following principles / procedures can be adopted for grant of LOA to the power projects:-

(i) In respect of 11<sup>th</sup> Plan projects:- (a) LOAs be given to all the projects recommended by this Ministry to enable the project developers to proceed with financial closure, environmental clearance and initial project development activities and (b) LOAs be converted into Fuel Supply Agreements for commencement of supply of coal during the 11<sup>th</sup> Plan for only those projects in respect of which order for main plant equipment (Boiler-Turbine-Generator) is placed on the manufacturer and advance released within 31<sup>st</sup> October, 2008. Simultaneously the project developers should enter into Coal Transportation Agreement with Railways.


(ii) In respect of 12<sup>th</sup> Plan projects:- LOA may be given to the recommended projects so as to enable the developers to achieve financial closure, obtain environmental clearance and take up execution of the project matching with the availability of coal. In respect of the projects recommended for 12<sup>th</sup> Plan, FSAs may be executed for commencement of coal supply during 12<sup>th</sup> Plan in accordance with the progressive production plan of CIL. Coal Transportation Agreement with Railways could also be taken at that stage.

4. Further, as regards power projects, having unit size capacity of less than 200 MW, which were recommended by this Ministry earlier, including those being recommended now, and pending with the Ministry of Coal, which are coming up in the next meeting of SLC(LT), Ministry of Power recommends coal linkage for such projects subject to the condition that the main plant equipment for such projects will be ordered from reputed domestic manufacturers. This is recommended in the light of the need to prevent dismantled or phased out inefficient power plants from foreign countries finding their way into the country. The linkages may be issued conditionally subject to proof of placement of main plant orders with advance payment. This may apply to all recommendations which are to be considered in future SLCs.

5. This issues with the approval of the Minister of Power.

With regards,

Yours sincerely,

  
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(V.P. JOY)

Dr. S.P. Seth,  
Addl. Secretary & Chairman, SLC(LT),  
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New Delhi.

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by  
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