Chapter - 7

# COAL PRODUCTION, MARKETING & DISTRIBUTION

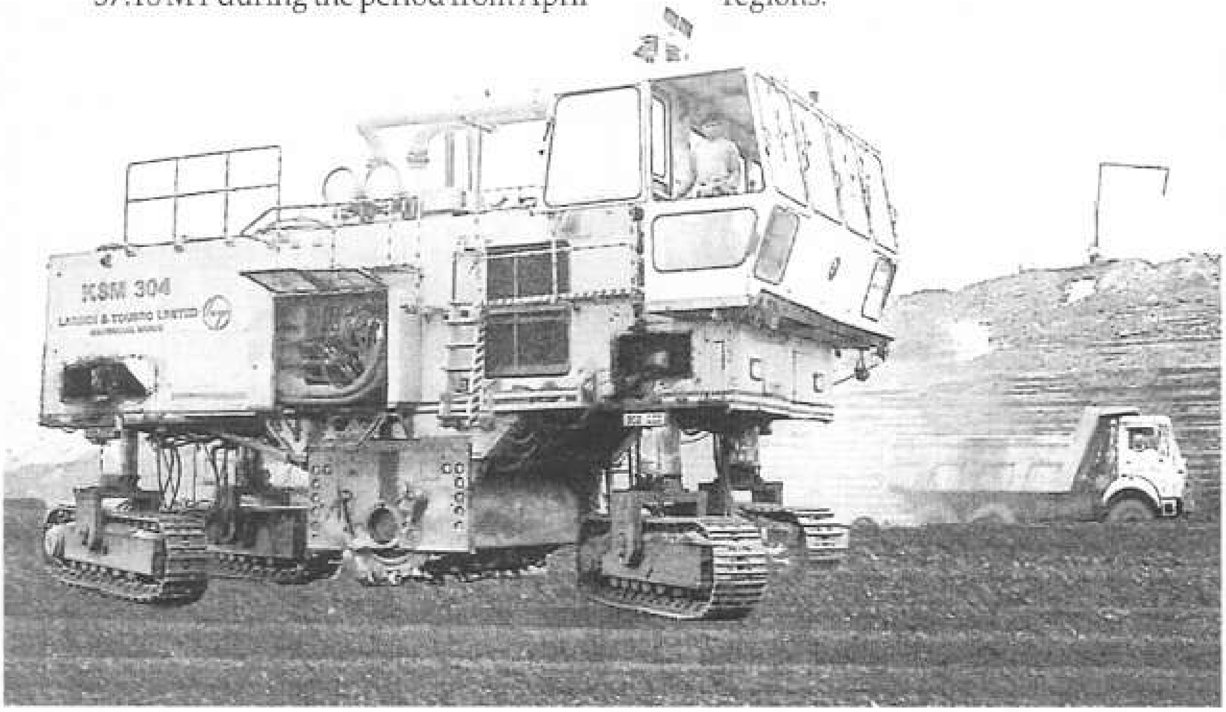
## 7.1 COAL PRODUCTION

**7.1.1** The Coal production all over India during the period April 2012 to December, 2012 has been 308.89 Million tonnes (Provisional) as compared to the production of 364.12 million tonnes (MT) during the corresponding period of the previous year showing a growth of 5.5%.

**7.1.2** Singareni Collieries Company Limited is the main coal producer in southern India. SCCL has produced 37.18 MT during the period from April 2012 to December, 2012 as against 35.26 MT during the corresponding period last year.

## 7.2 COAL DISTRIBUTION AND MARKETING

The Marketing Division of CIL plans, coordinates and monitors the marketing activities for all its coal producing subsidiaries. CIL has a network of Regional Sales Offices at State Capitals to cater to the needs of the consuming sectors in various regions.




Surface Miner – a modern coal mining machine in operation in opencast mine

## 7.3 LINKAGE COMMITTEES

**7.3.1** Prior to introduction of New Coal Distribution Policy (NCDP), two types of Linkage Committees used to function for deciding the long term and short term availability of coal and distribution to the consumers belonging to Cement, Power and Steel including sponge iron units.

(i) Standing Linkage Committee (Long-Term)

(ii) Standing Linkage Committee (Short-Term)

**7.3.2** However, with the introduction of NCDP and FSA regime in replacement of the linkage system, Standing Linkage Committee (Short-term), which used to allocate coal to consumers of Power and Cement Sector on quarterly basis taking into account coal production and logistics involved therein, is no longer making any allocation.

**7.3.3** SLCs (LT) for Power Utilities including CPPs & IPPs, Cement and Sponge Iron consider requirement of coal at planning stage and link the requirement in long term perspective from a rational source after examining factors like quality and quantity required, time frame, location of consuming plants, transport logistics, development plan for coal mines etc.

**7.3.4** The Long-Term Linkage Committee is presently being chaired by Additional Secretary, Ministry of Coal and has representatives from Ministry of Power, Ministry of Steel, Ministry of Commerce & Industry, Ministry of Railways, Ministry of Shipping, Central Electricity Authority, Coal India Limited, CMPDIL and Singareni Colliery Company Limited (SCCL).

**7.3.5** New Coal Distribution Policy has introduced the concept of "Letter of Assurance" (LoA), which provides for assured supply of coal to developers, provided they meet the stipulated milestones. Once the milestones as stipulated in the LoA are met by the developers, LoA holders are entitled to enter into Fuel Supply Agreements (FSAs) with the coal companies for long-term supply of coal. The quantity of coal to be supplied along with other commercial terms and conditions are covered in the FSA itself.

**7.3.6** During the year 2012-13, no SLC(LT) meeting took place for issuance of Letters of Assurance. .

## 7.4 ALLOCATION OF COAL TO POWER, CEMENT AND STEEL PLANTS

**7.4.1** The allocation of coking coal to Steel plants was earlier made by the Coal Controller. However, After deregulation of coking coal, the supplies of coking coal are being made by the coal companies themselves on the basis of linkages established by the SLC (LT) or on the basis of their existing commitments.

7.4.2 During the year 2012-13 till December 2012, CIL supplied the following quantities of coal to various consumers:

**(Prov.)** **(in Mllion Tonnes)**

| Sector | Targeted off take | Actual Off take | Supply % against Target |
|---|---|---|---|
| Steel* | 7.29 | 6.68 | 91.6% |
| Power ( Utilities) ** | 248.16 | 246.40 | 99.3% |
| Captive Power | 25.70 | 25.04 | 97.4% |
| Cement | 5.66 | 4.96 | 87.6% |
| Fertilizer | 1.95 | 1.97 | 101.0% |
| Sponge Iron | 8.64 | 8.43 | 97.6% |
| Others | 42.47 | 41.16 | 96.9% |
| Colliery Consumption | 0.41 | 0.33 | 80.5% |
| **Total** | **340.28** | **334.97** | **98.4%** |

* includes coking coal feed to washeries, direct feed, blendable to steel plants, coke ovens, private cokeries and NLW coal to cokeries.

** includes non-coking coal feed to washery and Bina Deshaling Plant for beneficiation.

Sector-wise coal off-take from SCCL during the year 2012-13 (from April '2012 to December'2012) and anticipated for the remaining period (Jan. 2013 to March 2013) are as below:

**(in Million Tonnes)**

| Sector | April '2012 to Dec.2012 | April '2011 to Dec.'2011 | Growth (%) | Jan.2013 to March 2013 | Total anticipated |
|---|---|---|---|---|---|
| Power (utility & CPP) | 29.93 | 27.51 | 8.8 | 11.85 | 41.75 |
| Steel(Sponge Iron) | 0.44 | 0.75 | - | 0.12 | 0.56 |
| Cement | 3.94 | 3.75 | 5.0 | 1.65 | 5.59 |
| Fertilizer | - | - | - | - | - |
| Others | 4.16 | 4.05 | 2.7 | 1.68 | 5.84 |
| Colly. Cons. | 0.04 | 0.08 | - | 0.01 | 0.05 |
| **Total** | **38.51** | **36.14** | **6.5** | **15.31** | **53.82** |

7.5 POWER HOUSES

Off-take of coal by thermal power stations during the year 2012-13 (April-Dec 2012) from CIL was 246.40 million tones registering 99.3 % materialization in target. Compared to the same period last year, dispatch has increased by 24.23 million tones, i.e. 10.9%.

The actual Off-take of coal by thermal power stations during the year 2012-13 (April '2012 –December '2012) from SCCL is 29.93 MT as against 27.51 MT during the same period in 2011-12. The estimated Off-take of coal by thermal power stations during the year 2012-13 from SCCL will be around 41.78 MT.

7.6 CEMENT PLANTS

The dispatch to cement plants from CIL during 2012-13 (April-Dec) was 4.92 million tones (prov) as against 5.3 million tonnes during the same period last year.

The actual dispatch to Cement plants from SCCL during the year 2012-13 (April '2012 –December '2012 ) is 3.94 MT as against 3.75 MT during the same period in 2011-12.The Estimated dispatch of coal to Cement plants from SCCL during 2012-13 is 5.59 MT.

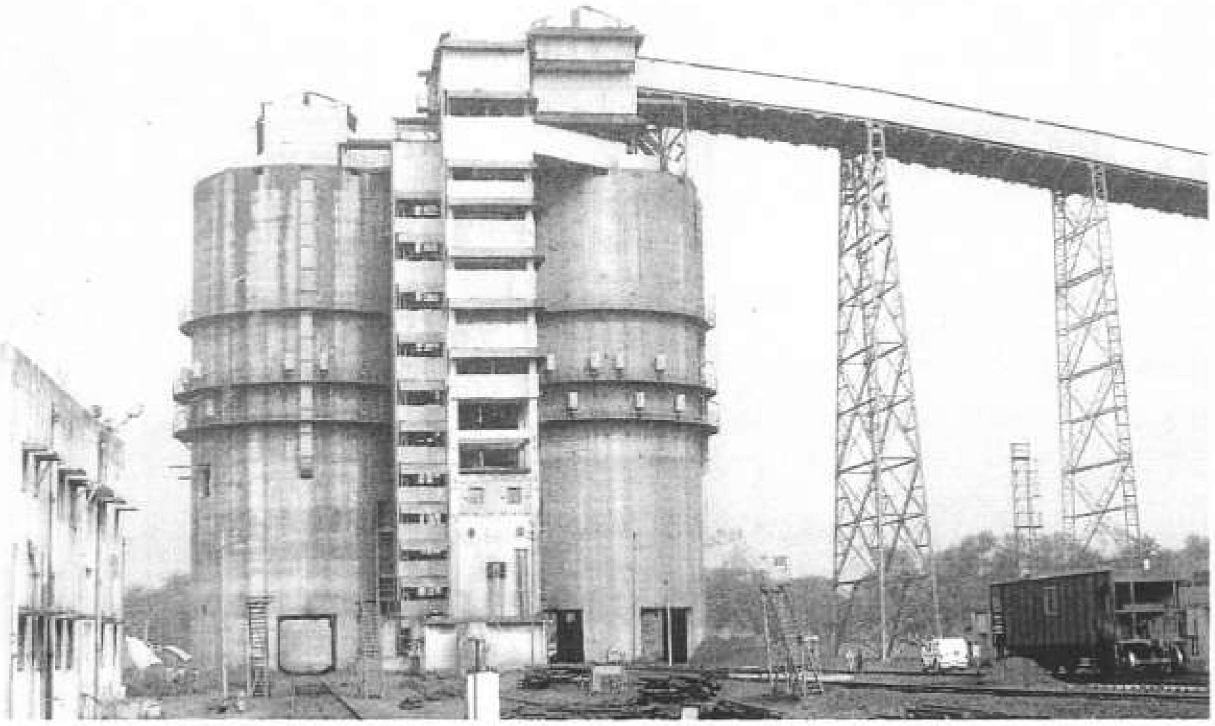
7.7 MODES OF TRANSPORT

Important modes of transport of coal and coal product in CIL are Railways, Road, Merry-Go-Round Systems (MGR), Conveyor Belts and the Multi Modal Rail-cum-Sea Route. The share of these modes of transport in the total movement of coal and coal product during the current fiscal ( Apr 2012- Dec 2012) has been approximately as under

| Sl. No | Modes of Transport | Share % |
|---|---|---|
| 1 | Railways ( including Rail –cum-Sea) | 53.8 |
| 2 | Road | 25.0 |
| 3 | MGR | 18.9 |
| 4 | Belt – Conveyors/ Ropeways | 2.3 |

Important modes of transport in SCCL are Railways, Road, Merry-Go-Round Systems (MGR), Rope way. The share of these modes of transport in the total movement of coal during the said period is approximately as under:

| S.No. | Mode | Share (%) |
|---|---|---|
| 1 | Railways (including RCR) | 60.30 |
| 2 | Road | 21.28 |
| 3 | MGR | 17.59 |
| 4 | Rope | 0.83 |



Merry-go-Round (MGR) – an automatic wagon loading system

## 7.8 PROGRESS IS MADE UNDER NEW COAL DISTRIBUTION POLICY (NCDP)

**7.8.1** Prior to introduction of New Coal Distribution Policy in October, 2007, the consumers were broadly classified in two categories' Core and Non Core Sector. The basis for earlier classification of consumers was solely based on their role in economic development. However, the erstwhile classification of the consumers under New Coal Distribution Policy has been dispensed with.

**7.8.2** Under this policy each sector / consumer has been treated on merit, keeping in view the regulatory provisions applicable thereto.

**7.8.3** For Power, Cement and Sponge Iron sectors, the Standing Linkage Committee (Long Term) is authorized to recommend their coal requirement. On the basis of such recommendation, a Committee on Letter of Assurance (CLOA) at CIL issues coal company wise allocation of quantity. Coal companies issue Letter of Assurance with specified milestones to be achieved by the LOA holder within a stipulated period to become entitled for executing Fuel Supply Agreement (FSA) for coal supply. Supply of Coal to all existing valid consumers has been brought under legally enforceable Fuel Supply Agreements.

7.8.4 Progress made by CIL in implementing the provisions of NCDP is summarized below :

**Coal India Limited**

a) Classification of consumers into core and non-core sector has been dispensed with

b) Linkage system has been replaced with Fuel Supply Agreement (FSA) and accordingly, out of 1225 existing valid linked consumers, 1193 consumers have executed FSAs with the coal companies in categories other than Power Utilities. Sector wise position of FSA under NCDP till Dec'2012 (Provisional) is as under :

| Old existing Consumers (other than Power Utilities)) | No of valid consumers | No of FSA signed |
|---|---|---|
| CPP | 142 | 142 |
| Sponge Iron | 246 | 240 |
| Cement | 46 | 46 |
| Paper | 45 | 45 |
| Aluminum | 4 | 3 |
| Briquette | 66 | 66 |
| SSF | 83 | 83 |
| Cokeries | 149 | 148 |
| Others | 444 | 420 |
| Total CIL | 1225 | 1193 |

c) Out of 133 FSAs to be executed with Power Utilities existing as on 31.03.2013, a total of 129 FSAs have been executed.

d) Out of the SLC (LT) recommendations for issuance of LOA, up to December 2012, a total of 697 new consumers in Power, Sponge Iron, CPP and Cement sectors were served notices to deposit Commitment Guarantee(CG) for issuance of LOA by the coal companies. Out of this, 592 units have been issued LOA for completion of necessary milestones. 332 units completed milestone and executed FSA, other LOAs are at various stage of completion.

e) For supply of coal to SME sector, 8 million tonnes have been earmarked by CIL for allocation to agencies nominated by the State Govts/ Union Territories. Till 31st Dec'2012, 18 States / UTs have sent their nominations for 29 State agencies for the year 2012-13, of which 19 state agencies have signed FSA for an aggregate quantity of 3.96 million tonnes.

f) Coal is also supplied through MOUs as per allocation of Central Electricity authority (CEA) to 20 Power Utilities (including IPPs) as on 31.12.2012.

g) The New Power Plants coming through LOA route and commissioned after 1st April 2009 have been executing FSA in a different FSA Model. However, the Model FSAs have been revised pursuant to a Presidential Directive issued to CIL in April 2012 for revising the minimum assured level of supply (trigger level) from 50 % to 80% and tenure of the FSA from 5 years to 20 years.

h) The modified dispensation has been made applicable to Power Plants having long term Power Purchase Agreement with the DISCOMs. A total 132 Plants with capacity of about 60,000 MW and LOA quantity of 280 MT who have been commissioned or are being commissioned between the period April 2009 to 31st March 2015, have been recommended for signing FSA in the modified Model

i) Pursuant to modification of the FSA models for the new power plants, 56 power plants (representing 32 LOAs) out of the above 143 have signed FSA in the new model till 05.02.2013.

**Singrani Collieries Company Limited (SCCL)**

**(a) Sector Wise Position of FSA under NCDP (upto 31-12-2012)**

| Sector | No. of linked consumers | No. of FSAs signed |
|---|---|---|
| Power (Major) | 4 | 4 |
| CPP | 31 | 31 |
| Sponge Iron | 45 | 45 |
| Cement | 58 | 58 |
| Others | 228 | 228 |

**(b) SCCL has issued LOAs for 27 No. of Units recommended by SLC (LT).**

- LOAs converted into FSAs with Cement units – 9 Nos.
- LOAs converted into FSAs with Captive Power Plants – 13 Nos.

- Conversion into FSAs under progress – 1 Nos.
- Units not willing for issue of LOA under cost plus - 4 Nos.

## 7.9 DISTRIBUTION OF COAL TO SMALL & MEDIUM CONSUMERS

**7.9.1** The New Coal Distribution Policy also specifically addresses the issue of supply of coal to consumers in small and medium sector since the classification of the consumers as core and non core sector has been dispensed with under the New Coal Distribution Policy.

**7.9.2** Under this policy, the State Governments/ Union Territories were entrusted the responsibility for distribution of coal to consumers having requirement up-to 4200 MT per annum. The coal is to be distributed through nominated agencies by the respective States/UTs. A total of 8 Million Tonnes has been earmarked annually for distribution through the State Nominated Agencies which would be drawing coal after execution of FSA with the concerned coal company.

**7.9.3** The price charged to such agencies would be the notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and margin up to 5%, as service charge, over and above the basic price charged by the coal company, from their consumers.

**7.9.4** The FSA would be based on firm commitment and compensation for default in performance on either side. The State Government/Central Govt. agencies would be free to devise their own distribution mechanism. However the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

**7.9.5** The price charged to such agencies would be the notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and upto 5% margin as service charge, over and above the basic price charged by the coal company, from their consumers.

**7.9.6** So far 18 states / UTs have nominated their agencies during the year 2011-12 for distribution of coal to small scale industries. 28 state agencies have been nominated of which 18 state agencies have signed FSA for a quantity of 3.94 million tonnes

### 7.10 FSA WITH STATE AGENCIES UNDER NCDP AS ON 31.12.10

| | | |
|---|---|---|
| 1 | No of States / UTs | 35 |
| 2 | Quantity earmarked (lakh tonne) | 80.00 |
| 3 | No of States who nominated agencies for 2012-13 | 18 |
| 4 | Qty allocated to states/ nominated agencies (lakh tonne) | 53.06 |
| 5 | No of states drawing coal under FSA so far | 14 |
| 6 | ACQ covered under FSA (lakh tonne) | 39.62 |

### 7.11 E-AUCTION OF COAL

**7.11.1 E-Auction of Coal in CIL:**Coal is also being regularly sold through electronic auction (e-auction) route at a market driven price every month in accordance with the NCDP provisions. E- auctions are of two types- Spot E auction and Forward E Auction. Spot-auction is meant for all categories of buyers. In case of Forward E-auction, only end-users/ actual consumers are eligible to participate and could have assured supply of coal over a longer period, generally one year. Each Forward e-auction is for a period of 12 months consisting of 4 following quarters of 3 months each. Consumers have the flexibility to bid for any one quarter or for up to all the four quarters in one go. Bidders/consumers are to make bid at or above the reserve price. While Spot E-auction has been in operation since Nov'2007, Forward E-auction commenced from Aug' 09. Under E-auction channel, coal companies of CIL are entitled to offer around 10% of the estimated annual production. Performance of E-auction after implementation of NCDP is given as under

**Coal India Limited**

| | Spot E-auction | | | | Forward E-auction | |
|---|---|---|---|---|---|---|
| | Apr09-Mar'10 | Apr'10-Mar'11 | Apr11-Dec'11 | Apr'12-Dec'12(prov) | Apr'11-Dec'11 | Apr'12-Dec'12(prov) |
| No of Bidders | 78155 | 70977 | 55638 | 55596 | 297 | 265 |
| No of Successful bidders | 40848 | 43929 | 32147 | 30877 | 216 | 185 |
| Total Qty offered (L.Tonnes) | 541.392 | 552.71 | 390.37 | 345.40 | 91.01 | 68.13 |
| Total Qty allocated (L.Tonnes) | 457.321 | 465.57 | 335.11 | 300.83 | 55.45 | 37.61 |
| Notified Price of Total Allocated Qty (in ₹Cr.) | 4528.956 | 5048.86 | 5360.88 | 5038.62 | 683.99 | 550.58 |
| Bid Price of Total Allocated Qty(in ₹ Cr.) | 7238.48 | 9120.92 | 9335.31 | 7816.10 | 1289.87 | 691.97 |
| % increase over Notified Price | 59.8 | 80.7 | 74.1 | 55.1 | 88.58 | 25.68 |

**Company wise Spot E Auction during Apr.2012-Dec, 2012 (prov.)**

(in Lakh Tonnes)

| Company | Offer Qty | Allocation Qty | % increase over notified price |
|---|---|---|---|
| ECL | 27.35 | 24.12 | 28.7 |
| BCCL | 22.94 | 17.36 | 102.7 |
| CCL | 33.11 | 30.87 | 63.1 |
| NCL | 14.38 | 14.38 | 72.4 |
| WCL | 36.11 | 32.13 | 45.8 |
| SECL | 83.59 | 77.57 | 57.1 |
| MCL | 126.56 | 103.05 | 56.5 |
| NEC | 1.36 | 1.36 | 35.3 |
| CIL | 345.40 | 300.83 | 55.1 |

**7.11.2 E-Auction of Coal in SCCL:**

SCCL has started spot e-auction of coal in December, 2007 The details of coal sold by SCCL through spot E-auction during the period from April,2012 to Dec,2012 are as follows:

| Company | Offered Quantity | Sold Quantity | % increase on notified price |
|---|---|---|---|
| SCCL | 3.033 MT | 2.614 MT | 80% |

7.12 IMPORT OF COAL

**7.12.1** As per the present Import Policy, coal can be freely imported (under Open General Licence) by the consumers themselves considering their needs and exercising their own commercial prudence

**7.12.2** Coking coal is being imported by Steel Authority of India Limited (SAIL) and other Steel sector manufacturing units mainly to bridge the gap between the requirement and indigenous availability and to improve the quality. Coal based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders import non- coking coal. Coke is imported mainly by Pig-Iron manufacturers and Iron & Steel Sector consumers using mini-blast furnace.

( in Million Tonnes)

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12* | 2012-13* |
|---|---|---|---|---|---|---|---|---|---|
| Coking Coal | 16.93 | 16.89 | 17.88 | 22.03 | 21.08 | 24.69 | 19.48 | 31.801 | 25.408 |
| Non Coking Coal | 12.03 | 21.70 | 25.20 | 27.76 | 37.92 | 48.57 | 49.43 | 71.052 | 74.631 |
| Coke | 2.84 | 2.62 | 4.69 | 4.25 | 1.88 | 2.36 | 1.49 | 2.365 | 2.588 |
| **Total Import** | **31.80** | **41.21** | **47.77** | **54.04** | **60.88** | **75.62** | **70.4** | **105.218** | **102.627** |

* Data is provisional up to December, 2012 of 2012-13

## 7.13 COAL CONSUMER COUNCIL

Regional coal consumer's councils have been set up in each coal company for monitoring and redressing consumers' grievances/ complaints. Further, the National Coal Consumer's Council set up at CIL(HQ) acts as the apex body in such matters. In case reply on complaints is not received within one month or the complainant is not satisfied with the reply provided by the coal company, the matter may be referred to National Coal Consumer's Council. These councils were reconstituted during 2010-11 with induction of many new members. A meeting of National Coal Consumer's Council was held on 6th Oct 2012 at CIL Kolkata. Besides the nominated council members, representatives from Cement Sector also attended the meeting.

CIL, in order to effectively address consumer grievances has introduced on-line grievance redressal mechanism that provides access to all buyers for lodging complaints / grievances through CIL websites. Guidelines for lodging complaints/applicable forms as well as status report of grievance etc. are also available for convenience of the buyer.