

14

No. 23011/79/2014-CPD/CLD
Government of India
Ministry of Coal

.....

New Delhi, the 15th May, 2018.

To

1. Chairman/Mng.-Director,
Coal India Limited,
Coal Bhawan, New Town,
Rajarhat,
Kolkata – 700 156.
2. Chairman/Mng.-Director
Singareni Collieries Company Limited,
Singareni Bhawan, Red Hills, PB. No.18,
Khairatabad PO, Hyderabad,
Telangana – 500 004

Subject : Methodology for Linkage Rationalization for Independent Power Producers (IPPs).

Sir,

I am directed to refer to this Ministry's O.M. of even no. dated 18.07.2017 constituting new Inter-Ministerial Task Force (IMTF) to rationalize the linkages of the Independent Power Producers (IPPs). The IMTF has suggested to prepare a draft Base Paper on Methodology for Linkage Rationalizations for IPPs.

2. The Competent Authority has approved Methodology for Linkage Rationalization for IPPs a copy of which is enclosed. CIL/SCCL is requested to take immediate necessary action to implement the methodology accordingly.

Encls. As above.

Sujeet Kumar
(Sujeet Kumar) 15/5/18
Under Secretary to the Govt. of India.

Copy to :

- i) Shri Aniruddha Kumar, Joint Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
- ii) Shri H.S. Bajwa, Executive Director (Coal) Ministry of Railways, Railway Board, Rail Bhawan, New Delhi.
- iii) Shri P. Bali, C.O. (Ports), Ministry of Shipping, Transport Bhawan, New Delhi.
- iv) Shri Vivek Goyal, Chief Engineer, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.
- v) Shri Alok Saxena, Consultant (MPAS), Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.

Copy also to :

- i) PSO to Secretary (Coal)
- ii) Sr. PPS to Additional Secretary (Coal)
- iii) PPS to JS (RKS)
- iv) PS to Dir (CLD)

Sujeet Kumar
15/5/18

**Methodology for Linkage Rationalization
for Independent Power Producer (IPPs)**

1. Coal linkage rationalization shall be an exercise in which the coal linkage of a Thermal Power Plant (TPP) of an Independent Power Producer (IPP) may be transferred from one Coal Company to another based on the coal availability and future coal production plan of the coal company. The underlying objective behind the exercise shall be to reduce the landed cost of coal due to reduction in transportation cost and cost of coal. The reduced landed price of coal shall lead to savings, to be reflected in cost of power generated, and these savings shall be passed on to the buyers of power through a transparent and objective mechanism.

This exercise shall be voluntary on the part of the TPPs. The exercise aims to reduce the distance by which the coal is transported, thus, easing up the Railway infrastructure for gainful utilization for other sectors..

2. The coal companies shall ensure that all the implementable requests of linkage rationalization for State/Central Gencos are implemented in an objective and transparent manner before this linkage rationalization exercise for IPPs is undertaken.

3. The one time process of calling for requests from the IPP for linkage rationalization shall be undertaken jointly by CIL, SCCL and CEA in a transparent manner.

4. This linkage rationalization shall be considered only for IPPs having linkages through allotment route. The IPPs having linkages obtained through auction process shall not be eligible for rationalization under this scheme. Swapping of linkages with coal sourced through auction or imports shall not be permissible under this exercise.

5. The IPPs participating in the linkage rationalization shall state the Minimum Order Quantity (MOQ) for which the linkage rationalization shall be considered and their preferred mode of transportation after the linkage rationalization.

6. The cost savings on account of linkage rationalization shall be calculated as per the below mentioned calculation sheet provided by CEA.

	Original Linkage	Rationalized Linkage
Base price of coal (Rs/tonne)	Po	Pr
Gross Calorific Value (Kcal/kg)	GCVo	GCVr
Linkage quantity (tonnes)	Qo	Qr = (GCVo*Qo)/GCVr
Distance for transportation (in KM)	Do	Dr
Total Transportation cost (Rs)	To = f (Do, Qo)	Tr = f (Dr, Qr)
Cost savings (Rs)	(To-Tr) + (Qo*Po-Qr*Pr)	

7. The calculation sheet for transportation cost savings due to linkage rationalisation of IPP, as mentioned at 6 above, may be taken as base formula for

Surender
15/5/18

calculating the cost savings due to change in transportation distance and change in GCV of linkage coal. This formula shall be made available in public domain and the IPPs which are ready to pass on this per unit cost savings to the discoms/buyers may apply for linkage rationalisation request with the coal companies. The coal companies shall consider the requests of the concerned IPPs subject to availability of coal from the company. The IPPs approaching the coal companies shall give an undertaking that the cost savings as calculated based on the formula shall be passed on to the discoms/buyers through a supplementary agreement which shall be approved by the appropriate Electricity Regulatory Commission. The price adjustment shall be done on an annual basis. The grade of coal supplied by the coal company under the existing linkage shall be taken as the midpoint of the GCV linkage which has been quantified by CCO in the existing linkage. The distance from which the coal was dispatched under the existing linkage shall be the weighted average distance of the coal supplies made to the IPP during the preceding financial year.

8. The Fuel Supply Agreement (FSA) of the rationalized source from any coal company would be signed/implemented only after the appropriate Electricity Regulatory Commission approves the supplementary agreement.

9. In cases where there are rationalization requests of more than one IPP from the same source and the coal availability at that source cannot meet the entire request for linkage rationalization, the IPP for which the cost savings are the highest shall be given preference. In case, the cost savings for two or more IPPs are same, then the coal quantity shall be distributed amongst the different IPPs in proportion to their linked capacity.

10. The Cost Plus Mines are for dedicated consumers and the pricing is accepted by the consumers. The pricing depends on a number of factors and subject to review. The pricing policy for Cost Plus Mines is different from that of other coal mines. Any IPP drawing coal from WCL under Cost Plus Agreements from cost plus mines shall be excluded from the purview of rationalization under this scheme.

11. The Thermal Power Plants having linkages through road shall not be allowed to participate in the rationalization because these power plants are already at a closer distance. After linkage rationalization, it may so happen that power plants which were earlier moving coal through rail may move coal through road. In such a situation the coal transportation charges by rail from the new source shall be considered for the purpose of calculation of savings.

12. Any dispute as and when it arises would be resolved as per the provision of the Arbitration and Conciliation Act.

13. With regard to rationalization to be applied only when there is actual production of coal (not on the basis anticipated production) and that swapping of linkages between two sources cannot be claimed as mandatory, it is stated that rationalization will be carried out only on the basis of availability of coal during the fiscal and future expected availability as per Coal Company's production plan.

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14/4/18