

F.No.23011/49/2015-CPD/CLD
Government of India
Ministry of Coal

Shastri Bhawan, New Delhi
Dated the 14th February, 2020

OFFICE MEMORANDUM

Subject: Standard Operating Procedure for proportionate reduction of linkage to the coal block allocatees on the basis of requirement of coal being met from allotted coal mines/blocks

The undersigned is directed to say that the Standard Operating Procedure (SoP) for proportionate reduction of coal linkage to the coal block allocatees on the basis of requirement of coal being met from allotted coal mines/blocks has been approved by the Competent Authority. The SoP is circulated herewith for further necessary action.

Subject Kumar 14/2/2020
(Subject Kumar)

Under Secretary to the Government of India

To

- i. Chairman-cum-Managing Director, Coal India Limited, Kolkata
- ii. Chairman-cum-Managing Director, SCCL, Hyderabad
- iii. Nominated Authority, Ministry of Coal
- iv. Coal Controller, Coal Controller Organization, Kolkata

Copy for information to:

- i. Joint Secretary, CBA-II, Ministry of Coal
- ii. Joint Secretary, CBA-I, Ministry of Coal
- iii. Joint Secretary, Thermal, Ministry of Power
- iv. Advisor (Projects), Ministry of Coal

Copy also to:

TD, NIC, Ministry of Coal – for uploading the SoP in the website of Ministry of Coal

Standard Operating Procedure for proportionate reduction of linkage to the coal block allocatees on the basis of requirement of coal being met from allotted coal mines/blocks

Genesis: The background for developing such methodology emanates from the provisions of the Coal Mines (Special Provisions) Rules, 2014 and the Coal Block Allocation Rules, 2017. The provisions are as under:

Rule 10 (4)(d)(iv) of Coal Mines (Special Provisions) Rules, 2014:

“In case a company is the successful bidder, then the entitlement to receive coal pursuant to such coal linkage shall stand proportionately reduced on the basis of the requirement of coal being met from the mine allocated to such company”.

Rule 5 (8) of Coal Block Allocation Rules, 2017:

“In case the coal block is specified for the purpose of own consumption and a bidder having a coal linkage becomes the successful bidder, then the entitlement to receive coal pursuant to such coal linkage for the end use plant on the basis of which it became a successful bidder may be reduced on such basis as may be specified by the Central Government.”

Rule 6 (5) of Coal Block Allocation Rules, 2017:

“In case the coal block is specified for the purpose of own consumption and an applicant having a coal linkage becomes the successful allottee, then the entitlement to receive coal pursuant to such coal linkage for the end use plant on the basis of which it became a successful allottee may be reduced on such basis as may be specified by the Central Government.”

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Standard Operating Procedure

- I.** Nominated Authority (NA) / CBA-I shall furnish a copy of the vesting order to CCO and CIL/SCCL for all mines/blocks which have already been allocated and the other mines as and when the mines/blocks are allocated under CM (SP) Act 2015/ MMDR Act 1957 / CMN Act.

- II.** CIL/SCCL shall send to CCO a list of those coal blocks allocatees which are already having linkages for the specified end use plant (EUP) along with the details of the linkage. CCO would work out the quantity of linkage reduction and the time from which linkage is to be reduced in every such case.

- III.** For the Non-Regulated Sector, the coal requirement of the EUP as given in the coal mine allotment order or vesting order or as provided by NA/CBA-I Section shall be taken into account for the purpose of proportionate reduction of coal linkage. In case of Power Sector, Central Electricity Authority (CEA) would furnish the coal requirement of the power plants (EUPs) which are linked to a coal block / mine and also having a coal linkage by 31st March every year to the Coal Controller Organization (CCO), concerned coal company as well as CBA-I, CBA-II Sections and Nominated Authority in the Ministry of Coal. The actual requirement for the next year should be after deducting the opening coal stock at the power plant. CCO will consider the requirement of these power plants for the year for the purpose of linkage reduction. The coal requirement of the EUP being met from the allocated coal mine and from the coal linkage shall be taken into account for proportionate reduction of linkage.

- IV.** For the purpose of linkage reduction, the quantity of coal from the allocated coal mine and the coal linkage which is more than the coal requirement of the EUP shall only be considered. For example, if the coal requirement of the EUP is 10 MT (X), the coal linkage is 2 MT (Y) and the coal production as per the approved mining plan is 9 MT (Z), then, the coal linkage shall be reduced to the extent of 1 MT only i.e $[(Y + Z) - X]$. However, grade

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adjustment shall be done while reducing the linkage quantity.

V. The linkage to be reduced for the coal block allocatee shall be worked out by the CCO as per the following parameters.

The quantity of coal linkage to be reduced and time from which the coal linkage is to be reduced shall be either of the following:

- i. In cases where there is no delay in operationalization of coal block, the scheduled production quantity and time as per approved Mining Plan from the coal block shall be informed by NA/CBA-1 to CIL/SCCL/CCO. CCO shall work out the quantity of reduction in coal linkage and the time from which the coal linkage is to be reduced and send the information to CIL/SCCL, which shall then proportionately reduce the linkage to the extent the requirement of the End Use Plant (EUP) is met from the coal block.
- ii. In cases of delay in operationalization of coal block, where the reasons for delay in operationalization are not attributed to the allocatee, the coal linkage may be continued initially for 1 year at the existing terms and conditions and for subsequent years also as long as the delay in operationalization of the coal block is not attributable to the allocatee. The Scrutiny Committee in the office of Nominated Authority (this Committee already exists and functions as of now) shall decide whether the reasons for delay in operationalization of coal block are attributable or are not attributable to the coal block allocatee. The administrative Ministries should be at arm's length from the Scrutiny Committee. Thus, on the basis of recommendation of the Scrutiny Committee, NA/CBA-I shall inform CIL/SCCL/CCO for continuation of the linkage as per existing terms and conditions.
- iii. In cases of delay in operationalization of coal blocks where the reasons for delay in operationalization are attributable to the coal block allocatee and where no approved mining plan has been submitted after the end of the

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timeline for the efficiency parameters stipulated in the Coal Mine Agreement, then based on the recommendations of the Scrutiny Committee, NA/CBA-1 shall communicate to CIL/SCCL/CCO to reduce the linkage by 25% of the original quantity every year. In case, the mining plan is submitted after the start of the tapering off of linkage, then the parameters of the approved mining plan shall be taken into consideration from the next financial year. The recommendation for the proportionate reduction shall be communicated by NA/CBA-1. While reducing the linkage quantity, NA/CBA-I shall ensure that the reduction in linkage quantity is for the quantity of coal for which the requirement was to be met from the coal mine.

iv. In cases where coal block allocatee is permitted to add additional EUP with the allotted/auctioned mine, the linkage shall be proportionately reduced if linkage quantity is over and above the requirement of the EUP being met from the mine.

VI. In cases related to delay in operationalization of coal mines, wherever reduction in quantity of linkage is to be imposed, an option may be given to the coal block allocatee and the existing linkage holder to pay a corresponding percentage of premium on linkage coal as the quantity proposed to be reduced.

VII. CCO shall send the information of quantity of reduction in coal linkage and the time from which the coal linkage quantity is to be reduced to CIL/SCCL for implementation.

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