**Subject: Methodology to provide the coal block allottee PSUs of**

**Power Sector with some flexibility in utilization of coal extracted**

**from the coal mines allotted under the Coal Mines (Special**

**Provisions) Act, 2015 for optimum utilization of coal mine for the**

**same end uses in the public interest and to achieve cost efficiencies**

The undersigned is directed to refer to the subject mentioned above

and to say that an Inter-Ministerial Committee (IMC) has been

constituted under the chairmanship of Additional Secretary (Coal) to

devise methodology to provide the coal block allottee PSUs with some

flexibility in utilization of coal extracted from the coal mines allotted

under the Coal Mines (Special Provisions) Act, 2015 {CM(SP) Act, 2015}

for optimum utilization of coal mine for the same end uses in the public

interest and to achieve cost efficiencies. The 1st meeting of IMC was

held on 07.08.2017 at 3:00 PM in the conference room of Ministry of

Coal. IMC recommended that to start with, methodology for

arrangement between two allottee PSUs which have been allotted coal

mines under the provisions of CM(SP) Act, 2015 would be considered.

2. In view of the methodology deliberated by IMC in its first meeting

and comments of Ministry of Power received vide No. FU-17/2017-IPC

dated 30.08.2017 thereon, the following methodology has been

approved by this Ministry:

a. The arrangement (s) / agreements (s) shall be in accordance with

Section 20 (1) of the Coal Mines (Special Provisions) Act, 2015 read

with Rules 19 of the Coal Mines (Special Provisions) Rules, 2014.

b. The present methodology has been formulated for arrangement (s)/

agreements (s) that may be entered between a PSU (hereinafter

referred to as "the PSU") which has been allotted coal mine(s) under

the provisions of CM (SP) Act, 2015 on the one hand and "other PSU"

which has either been allotted coal mine (s) or granted coal linkage (s)

for same end uses on the other. The scope of such

arrangement/agreement may include transfer of coal by the PSU to

other PSU in lieu of coal or power generated from such coal.

c. Arrangement for optimum utilization of coal mine with a company

which is not a successful bidder or allottee or has not been granted

coal linkage(s) is not allowed as such an arrangement is not

permissible as per the CM(SP) Act, 2015.

d. The agreement(s)/arrangement(s) as provided in the Section 20(1)

of the CM (SP) Act, 2015 should be for optimum utilization of the coal •

mine, for the same end uses, in the public interest and to achieve cost

efficiencies. The overall objective should be to reduce the cost of

power.

e. To achieve transparency, the particulars mentioned in Rule 19(2) of

CMSP Rules, 2014 should be displayed on the website of PSU allottee.

f. Before making an application to the Ministry of Coal, both the parties

to the arrangement should categorically certify the following regarding

the proposed arrangements:

i. Such arrangement results in optimum utilisation of coal mine.

ii. Such arrangement achieves cost efficiencies.

iii. Such arrangement is in public interest.

g. The application for the proposed arrangement (s)/ agreement (s)

shall contain full justification, calculations and the basis of arriving at

the conclusions in above para. The relevant calculations showing the

reduction in cost of power before and after the proposed agreement

(s)/ arrangement (s) should also be enclosed. The proposal so received

would be examined by a Technical Committee (TC) that may be

constituted or a Transaction Advisor (TA) that may be appointed for the

purpose. The report containing recommendations of TC/TA shall be sent

to MoP for comments. Upon receiving the comments/recommendation

from MoP, MoC shall take a decision on the proposed arrangement (s)/

agreement (s).

h. The parties would be required to furnish such additional information

as may be required.

i. Since the arrangement (s)/ agreement (s) under Section 20(1) are to

be in public interest, these should result in reduction in cost of power.

j. CERC/SERC while determining tariff, shall ensure that the benefits of

such arrangements are passed on to the consumers.

k. In case of coal being transferred in lieu of power generated from

such coal,

i. all the power generated from the transferred coal under the

arrangement(s)/agreement (s) shall be supplied to "the PSU" or its

beneficiary Discom(s) as the first right of "the PSU " provided that

any power not requisitioned by the PSU or its beneficiary Discom(s

) shall be treated as per the provisions of the Tariff Policy notified

by Ministry of Power under section 3 of the Electricity Act,

2003 or as may be notified by Ministry of Power.

ii. The landed cost of power generated and delivered to the "the

PSU" (or its beneficiary Discom) transferring coal shall include

corresponding fixed charges, variable charges and transmission

charges at the periphery of the beneficiary Discom of "the PSU"

transferring coal and should be cheaper than the variable charge

for generation from the existing options of using coal in plant(s)

owned by "the PSU". This condition would be applicable where the

coal proposed to be transferred is being utilized in an existing

plant by "the PSU" transferring coal and such transfer of coal

would result into backing down the generation from that plant.

The condition may not be insisted upon where the PSU transfers

the coal which is more than normative requirement of linked EUPs.

I. Except in accordance with the arrangement/agreement approved

under this policy or in accordance with the respective allotment

agreement /CMDPA, no trading or sale of coal shall be allowed since

coal mines have been allotted for specified end use.

m. Monitoring of the agreement(s)/arrangement(s) with regard to coal

production would be done by CCO, with regard to power generated

and delivered would be done by CEA, and with regard to tariffs by

concerned regulators.

n. The arrangements should be worked out in consultation with the

Railways, if it involves transport of coal by rail mode.

o. An inter-ministerial sub-group consisting of representatives from

Ministry of Power, Ministry of Coal, Ministry of Railways, CEA and

POSOCO would be constituted to look into various operational issues

arising during implementation of this scheme. The sub-group would

meet at least quarterly and the methodology will be reviewed

periodically for amendments, if any, based on the experience gained

during the process.

3. This is issued with the approval of the Competent Authority.