



COAL INDIA LIMITED  
MARKETING DIVISION AND SALES DIVISION  
NOTICE

File: CIL/M&S/Linkage auction/ 307

Date: August 10, 2020

**Sub: Modification in the NRS Linkage auction platform/documents for determination of normative coal requirement of the End Use Plant having linked coal block/mine**

Attention of the prospective bidders of Non regulated sector is invited to:

- the letter no. 23011/51/2015-CPD(Pt-1) dated February 15, 2016 issued by the Ministry of Coal, Government of India ("MoC") to Coal India Limited ("CIL") dealing with matters concerning the "Auction of linkages of Non-Regulated Sector" as amended vide letter (CLD - 23011/13/2020-CLD dated June 1, 2020 issued by the MoC to CIL (the "Policy").  
A copy of the said Policy is available at:

[https://coal.nic.in/sites/upload\\_files/coal/files/curentnotices/150216.pdf](https://coal.nic.in/sites/upload_files/coal/files/curentnotices/150216.pdf)

[https://coal.nic.in/sites/upload\\_files/coal/files/curentnotices/Auction-of-linkage.pdf](https://coal.nic.in/sites/upload_files/coal/files/curentnotices/Auction-of-linkage.pdf)

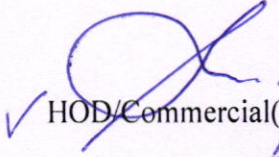
- and the various tranches of auctions being conducted under the aegis of this Policy.

In this regard, it is submitted that modification has been done in the calculation of normative coal requirement for ascertaining the eligibility of the bidders, from adjustment of PRC of the captive coal mine to production schedule-based adjustment. The revised methodology is enclosed for reference..

Potential participants are requested to kindly take note of the same. The above modifications shall become effective immediately. For already registered bidders at MSTC who are having linked coal block/mine, the details for change in the existing information shall be notified further.

Nothing contained herein shall be binding or confer any right on any person.

Encl: As above

  
10/8/2020  
HOD/Commercial(M&S)  
SM

Copy for kind information to:

1. Director (Marketing), CIL, Kolkata

Distribution: For uploading in respective website

1. GM/ HoD (M&S): ECL/ BCCL/ CCL/ NCL/ WCL/ SECL/ MCL:
2. GM, NEC
3. GM (System), CIL- with request to get this uploaded on CIL website
4. MSTC Limited

# MODIFICATION IN METHODOLOGY

## Computation of Normative Coal Requirement & Annual Coal Quantity (ACQ)

### Auction of Coal Linkages for Non-Regulated Sector (NRS)

August 2020

## **CURRENT PRACTICE:**

Any bidder who has been allotted any coal mine, the PRC of the coal mine is being reduced from the computation of the Normative Coal Requirement.

Thus even if the PRC is being obtained 7-10 years down the line, the entire quantity is being reduced and the bidders are provided with the less coal requirement. Bidders are of the view that since they are not producing at their PRC from Day 1, their PRC should not be reduced as they are unable to secure the balance coal requirement from anywhere else.

## **PROPOSED CHANGE**

- Bidders shall now be classified under 2 categories as under:
  - **Category 1 Bidders** - having approved mining plan and Mine Opening Permission
  - **Category 2 Bidders** - not having Mine Opening Permission
- For **Category 1 Bidders** the following mechanism is proposed:
  - Bidders shall be required to submit their year on year production schedule on the electronic platform for the next 10 years for all except coking coal subsector. For coking coal subsector production schedule has to be provided for 15 years.
    - Such Production Schedule shall be Financial Year wise. The production schedule as per the mining plan does not provide details of year. It simply mentions production in Year 1, Production in Year 2 and so on and so forth. Hence bidders are required to submit the production schedule FY wise based on pro-rata adjustment as under:
    - In the event Mine Opening Permission is granted during a financial year, first financial year should correspond to the period between the date of grant of Mine Opening Permission and the corresponding financial year end i.e. If Mine Opening Permission is granted on September 1, 2020, the corresponding period for first financial year shall be 7 months i.e. from September 1, 2020 to March 31, 2021.
    - In the event of already producing mine, first financial year shall be the current financial year in which this auction is being held.

- o Electronic System shall consider the minimum production of any year as per the production schedule submitted by the bidder and reduce it from the computation of the normative coal requirement i.e. instead of PRC, we are now reducing the minimum production.

*For example, the production schedule submitted by the bidder is as under:*

Financial Year (FSA Year)	Scheduled Production (TPA)
FY 2020-21 (Year 1)	0
FY 2021-22 (Year 2)	0
FY 2022-23 (Year 3)	10000
FY 2023-24 (Year 4)	16000
FY 2024-25 (Year 5)	17000
FY 2025-26 (Year 6)	20000
FY 2026-27 (Year 7)	20000
FY 2027-28 (Year 8)	20000
FY 2028-29 (Year 9)	20000
FY 2029-30 (Year 10)	20000

*In the above scenario, electronic platform shall consider minimum production as 0 for computation of the normative coal requirement.*

- o The bidder shall bid against the normative coal requirement computed in the manner above. Once the bidder is successful and have been allocated a quantity, such allocated quantity shall be subject to adjustment based on year-on-year production schedule submitted by the Bidder. Such adjustment shall be lot specific and in accordance with the following formula:

**Allocated Quantity for the year = (Adjustment Factor × Energy Requirement for the year) / [(10<sup>9</sup>) multiplied by (the average gross calorific value of the grade of coal of the Lot)]**

Wherein,

**Adjustment Factor =**

$$\frac{\text{energy requirement of Specified End Use Plant met from a particular Lot}}{\text{Total energy requirement of Specified End Use Plant met from particular Phase Auction under concerned Tranche}}$$

**Energy Requirement for the year =**

(Normative Energy Requirement of the Specified End Use Plant for a particular Phase of Auction under concerned Tranche + energy requirement of the Specified End Use Plant

corresponding to the minimum of the Scheduled Production - energy requirement of the Specified End Use Plant corresponding to the Scheduled Production of the year)

- Adjustment in the Allocated Quantity for the year shall be carried out in case the Energy Requirement for the Year as computed above is less than the total energy requirement booked for the Specified End Use Plant during the Auction under the particular tranche. Provided however, in the event the energy requirement of the Specified End Use Plant for the year as computed above is less than 0, then Allocated Quantity for that year shall be 0.

*For example,*

*If the total quantity booked by the bidder in the auction is 20000 tonnes in G10 grade which corresponds to 89,00,00,00,000 kcal/annum, and the energy requirement of the bidder for a particular year after adjustment to the production of that year is 90,00,00,00,000 kcal/annum, there will be no adjustment in the quantity allocated to the bidder. In case the energy requirement of the bidder for a particular year after adjustment to the production of that year is 80,00,00,00,000 kcal/annum, the quantity allocated to him shall be revised to 17977 tonnes.*

- In the event that the Allocated Quantity for any year pursuant to this Clause, is not an integer multiple of the Transport Factor, such Allocated Quantity shall be decreased and rounded off (downwards) to the nearest integer multiple of the Transport Factor.

*In the above example final allocated quantity for the year shall be 17900 tonnes instead of 17977 tonnes.*

- **For Category 2 Bidders** the following mechanism is proposed:

- The coal requirement met through captive coal mine shall be considered as zero (0) while computing the normative coal requirement. This is because if the mine opening permission is not received, the bidder will not be carrying out any mining activities in the mine and hence there will be no production.
- Once the Mine Opening Permission is received from CCO, the Bidder shall submit the same immediately to the coal company along with the production schedule.
- Year on Year ACQ shall be adjusted based on the production schedule submitted by the bidder in the manner similar to the adjustment carried out for Category 1 Bidders.

## ILLUSTRATION

The Specified End Use Plant (Kiln) of the Bidder is a 2 million tonne per year unit based on Dry process. The Bidder has an existing FSA with an ACQ of 1,00,000 tonnes in G10 equivalent. Further, a mine of G13 grade of coal has been allocated for captive consumption to the kiln, but mine opening permission has not been granted by CCO. The Normative Energy Requirement of the Specified End Use Plant (Kcal per annum) is as per the table below:

Particulars	Unit		
Capacity of Specified End Use Plant	TPA	(A)	20,00,000
Capacity Utilisation		(B)	85%
Existing Linkage Quantity	TPA	(C)	1,00,000
Deemed Grade of Coal Allocated through Linkage			G10
Average GCV of G10 grade of coal	kcal/kg	(D)	4,450
Quantity of Coal allocated for the Specified End Use Plant from the Mine	TPA	(E)	0
Grade of Coal from Captive Coal Mine			G13
Average GCV of G13 grade of coal	kcal/kg	(F)	3,550
Consumption Norm based on G10 grade (for clinker manufacturing through Dry process)	kg of coal/ton of clinker	(G)	179
Annual Coal Requirement of Specified End Use Plant (based on G10 grade)	TPA	(H = $A*B*G/1000$ )	3,04,300
Annual Energy Requirement of Specified End Use Plant	Kcal	(I = $H * D * 1000$ )	13,54,13,50,00,000
Annual Energy Requirement of the Specified End Use Plant met through existing coal linkage	Kcal	(J = $C * D * 1000$ )	4,45,00,00,00,000
Annual Energy Requirement of the Specified End Use Plant met through captive coal mine	Kcal	(K = $E * F * 1000$ )	0
Normative Energy Requirement	Kcal	(L = $I - J - K$ )	9,09,13,50,00,000
Average GCV of G8 grade of coal	kcal/kg	(M)	5,050
Normative Coal Requirement (based on G8 grade)	TPA	(N = $L/(M*1000)$ )	1,80,027
Normative Coal Requirement (based on G8 grade)	MTPA	(O = $N/10^6$ )	0.18

This Bidder participates in the auction across various lots. Allocated Quantity for each lot, as per the source of the grade, is as per the table below:

S.No.	Lot	Allocated Quantity (TPA)	Actual Grade	Avg GCV of Actual Grade (Kcal)	Allocated Energy (Kcal)	Adjustment Factor
(A)	(B)	(C)	(D)	(E)	(F) = (C) X (E)	(G) = (F)/TER Met
1	Lot 1	20000	G10	4450	89,00,00,00,000	0.77
2	Lot 2	5000	G12	3850	19,25,00,00,000	0.17
3	Lot 3	2000	G13	3550	7,10,00,00,000	0.06
	<b>Total</b>				<b>115,35,00,00,000</b>	

Assuming the Agreement for the Allocated Quantity has been executed on September 01, 2020. Further, it receives its Mine Opening Permission on April 01, 2021 (FY 2021-22). The Scheduled Production from the captive coal mine, as per the revised self-certificate submitted by the Successful Bidder, is as below:

**10 Year Scheduled Production for mine**  
(Based on the Self-Certificate Submitted by the Bidder)

Financial Year (FSA Year)	Scheduled Production (TPA)
FY 2021-22 (Year 2)	0
FY 2022-23 (Year 3)	0
FY 2023-24 (Year 4)	1,00,000
FY 2024-25 (Year 5)	1,60,000
FY 2025-26 (Year 6)	1,70,000
FY 2026-27 (Year 7)	2,50,000
FY 2027-28 (Year 8)	2,50,000
FY 2028-29 (Year 9)	2,50,000
FY 2029-30 (Year 10)	2,50,000
FY 2030-31 (Year 11)	2,50,000

The total energy requirement of the Specified End Use Plant to be met from Allocated Quantity under particular Phase of Auction of a Tranche shall be updated in accordance with the Normative Energy Requirement and the Scheduled Production, as below:

Financial Year (FSA Year)	Scheduled Production (TPA, G13)	Normative Energy Requirement of SEUP for the particular auction tranche (10%cal)	Energy requirement of SEUP corresponding to:		Requirement in the FY (10%cal)	Total energy requirement of SEUP to be met from particular auction tranche	Allocated Quantity		
			Minimum of the Scheduled Production (10%cal)	Scheduled Production of the year (10%cal)			Lot 1 (TPA, G10)	Lot 2 (TPA, G12)	Lot 3 (TPA, G13)
(A)	(B)	(C)	(D)	(E)	(F) = (C) + (D) - (E)	(G)	IF F>G, then 20000 otherwise =F*77%/4450*1000	IF F>G, then 5000 otherwise =F*17%/4450*1000	IF F>G, then 2000 otherwise =F*6%/4450*1000
FY 2020-21 (Year 1)	0	909135	0	0	909135	115350	20,000	5,000	2,000
FY 2021-22 (Year 2)*	0	909135	0	0	909135	115350	20,000	5,000	2,000
FY 2022-23 (Year 3)	0	909135	0	0	909135	115350	20,000	5,000	2,000
FY 2023-24 (Year 4)	100000	909135	0	355000	554135	115350	20,000	5,000	2,000
FY 2024-25 (Year 5)	160000	909135	0	568000	341135	115350	20,000	5,000	2,000
FY 2025-26 (Year 6)#	170000	909135	0	603500	305635	115350	20,000	5,000	2,000
FY 2026-27 (Year 7)#	250000	909135	0	887500	21635	115350	3,700	900	300
FY 2027-28 (Year 8)#	250000	909135	0	887500	21635	115350	3,700	900	300
FY 2028-29 (Year 9)#	250000	909135	0	887500	21635	115350	3,700	900	300
FY 2029-30 (Year 10)#	250000	909135	0	887500	21635	115350	3,700	900	300

\* - Year in which Mine Opening Permission is issued

# - Applicable only in case of extension of Term as per provisions of the FSA SEUP - Specified End Use Plant

As may be seen from the table above, adjustment in the allotted quantity was done from Year 7 onwards i.e. from the year where the Energy Requirement of the Year of the EUP is less than the Normative Energy Requirement computed at the commencement of the auction basis which the Bidder had been declared successful for certain quantity.



**GENERAL CONDITIONS:**

- CIL/the relevant subsidiary shall have the right to get the information submitted by the bidder verified from CCO. In the event of any misrepresentation/breach, CIL/the relevant subsidiary shall have the right to cancel the LoI/terminate the FSA, forfeit the bid security and/or the performance security, as the case may be.
- Bidder shall provide and undertaking and an affidavit that all information submitted by him is true and correct and any misrepresentation/holding back information shall attract penal actions as specified in the scheme document.
- In case of any subsequent change in the Production Schedule post execution of the FSA, the Bidder shall have to submit the revised Production Schedule to the relevant coal company immediately upon approval of the same from the competent authority. The Allocated Quantity for the year shall accordingly be adjusted based on the revised production schedule and a suitable amendment to the FSA shall be executed to this effect. In case the production schedule is revised post completion of auction but prior to execution of the FSA, then, upon submission of the revised Production Schedule to the relevant coal company immediately post approval from the competent authority, the FSA shall be executed for the Allocated Quantity for the year computed based on the revised Production Schedule.

Disclaimer: Notwithstanding anything contained in this concept note, the provisions of the Scheme Document shall apply.