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Government of India
Ministry of Coal

Dated the 7th October, 2008

Shri P.S.Bhattacharyya Chairman CIL 10, N.S.Road Kolkata	Shri S.Narsing Rao CMD SCCL, Red Hills Khairatabad Hyderabad
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Sub: Guidelines relating to supply of coal on "cost plus basis" by coal companies

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Sir,

The issue relating to supply of coal on "cost plus basis" by coal companies to various consumers has been examined by this Ministry and with the approval of Competent Authority, the following guidelines are being issued for implementation by CIL/SCCL:-

(a) In respect of existing LOA holders who have been authorised LOA by SLC(LT) on "cost plus basis" .

The concerned coal company to identify blocks from where coal is to be allocated and inform Coal India Limited (CIL) of the cost of such coal. Coal companies/SCCL will put this information on their website so that existing LOA/linkage holders can apply.

(b) Future projects on cost plus basis

- (i) All the coal companies, including SCCL, who are proposing to open cost plus mines should identify such mines and thereafter work out the cost of coal, to be supplied from that mine.
- (ii) Such information, mine-wise, should be placed on the website of the subsidiaries or SCCL.
- (iii) All the existing linkage holders/LOA holders/FSA holders should be provided an opportunity, to make their choice. In case there are no takers in first go, the information can be used by those who are issued LOAs at a later stage.
- (v) some consumers may have requested prior to issue of these guidelines, they may be considered as per the date of request.

(iv) CIL/SCCL would process such requests and decide on allocation of coal to these consumers, keeping in view the estimated production schedule and production pattern.

(v) If the estimated production from such cost plus mines matches with the request(s) for coal allocation from such mines, CIL/SCCL, can take a view immediately.

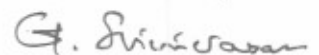
(vi) Preference should be given by CIL/SCCL to power sector including IPPs, fertilizer, cement, sponge iron, in the order indicated as per the priority in New Coal Distribution Policy (NCDP)

(vii) If the request(s) are less than the estimated production, then, the balance quantity can be offered by the concerned coal company on long term E-auction and the reserve price for such auction can be fixed keeping in view the cost of production from such mines.

(viii) in case "cost plus mines" are developed for meeting tapering linkage/LOA by a coal company, for a specific consumer or consumers, they should simultaneously also take action for identifying new consumers willing to take such coal. Once the existing consumer's (s) tapering requirement is over as per the extant policy/FSA, such coal may also be pooled for supply to existing consumers. In any case, keeping in view the growing demand for coal, it is unlikely that such a situation may arise. Moreover, option as at (vii) above is also available to deal with such coal.

(viii) While according preference/priority, due consideration should be given by coal companies to the proximity of the plant to the mine and also willingness of the consumer to evacuate coal by setting up facilities on his own or through road mode, with a view to reduce pressure on Railways and coal companies.

Yours faithfully



(G.Srinivasan)

Under Secretary to the Govt. of India

Copy to: CMDs of MCL/CCL/NCL/ECL/BCCL/WCL/SECL for information and necessary action.

Copy to CMD, CMPDIL – for information

Copy also for information to:

1. CGM (S&M)(Ops.), CIL, 15, Park Street, Kolkata
2. Coal Controller, Coal Controller Organisation, 1, Council Street, Kolkata
3. GM(S&M), CIL Scope Complex, Lodhi Road, New Delhi

 Director, NIC, Ministry of Coal for placing it on the website of the Ministry.