

COAL BLOCK AUCTION

Having opted for the e-auction route following the de-allocation of coal blocks, the government has to ensure a transparent and fool-proof bidding system. BY RICHA MISHRA



THE need of the hour is to have a transparent and fool-proof bidding system, and not “unnecessary romanticization” of any single process such as electronic auction (e-auction), say those involved in coal mining.

Having burnt its fingers earlier with coal block allocations, the government has now decided to allow e-auction of blocks to end-users. The end-users in round one of the auctions will be power, steel and cement industries. But, the government has also left an enabling provision in the Ordinance by which it can decide on additional commercial use at a later date.

Online auction

A request for quotation (RFQ) is a standard business process whose purpose is to invite suppliers into a bidding process to bid on specific products or services. In e-auction, the transaction takes place between auctioneers and bidders in an electronic marketplace. This system enables buyers to assess suppliers’ bid responses in a relatively fair and accurate manner.

The government has awarded coal blocks on allocation basis until now except for Ultra Mega Power projects where bidding was

tariff-based and coal was only for captive use.

E-auction has earlier been used for auctioning telecom spectrum. “But, we need to learn from the experiences and adopt the best practices,” said Anil Swarup, Secretary Coal.

De-allocation

The Supreme Court’s judgment of September 24 cancelled all coal block allocations made between 1993 and 2010. This will lead to the complete de-allocation of 204 blocks by March 31, 2015. It has left

Impact on power sector

Total installed capacity of coal-based power plants is 1,52,311 MW. According to the Central Electricity Authority report of August 2014, the private sector contributes 50,495 MW.

The Ministry of Power is preparing a Cabinet note through which it proposes to provide up to 90 per cent coal linkage to around 19,000 MW of capacity from private developers.

It also plans to convert tapering linkages of three years into firm linkages of 20 years. This would help an additional 6,000 MW of capacity under the private sector.

In order to meet the shortfall of local supplies, it proposes price pooling of imported and domestic coal.

the government with little time to put in place a fool-proof system.

However, the government has already started work on it. “The intent is to get cracking by December. We are targeting mid-December to start tendering,” Swarup said.

The challenges

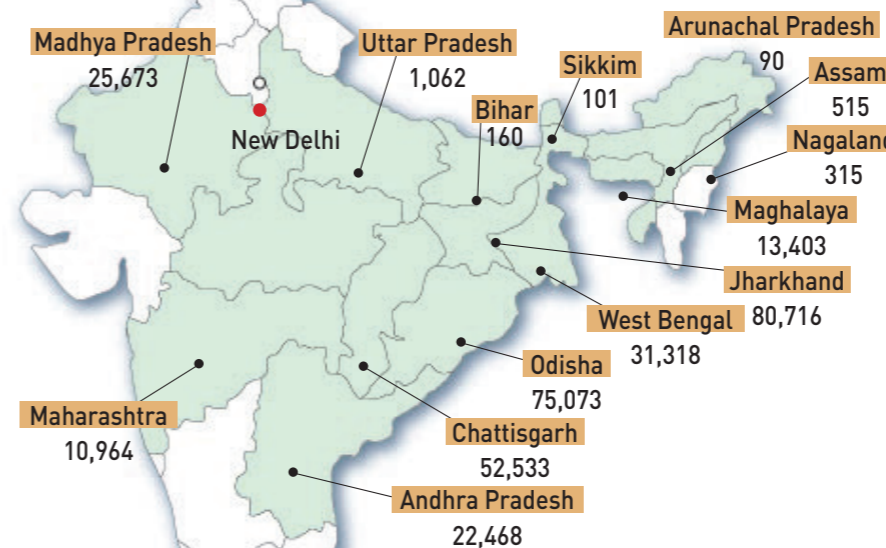
But, there are many challenges. “We need coal. We have to see how the bidding norms prescribed specify the work programme. The objective of the auction route is to discover credible and earnest players in an objective method, not merely to rake in money for the state,” former Coal India Chairman S. Narsing Rao said.

He said that the norms prescribed when awarding blocks should also include conditions like a well-defined work programme. “A reasonable and doable timeline should be given to the contractor to produce. If the blocks are allocated but not brought into production, then what is the use?” he said, adding that “the revenue collected should be made production linked”.

The government should also factor in the risks involved in this business, Rao said. “If the mine is unexplored, the developer is unaware of the quantity and the quality. When deciding on the revenues, the gov-

Top 5 companies to pay penalty for mining coal		Cumulative production up to FY 2014 million tonnes	Estimated production for FY 2015 million tonnes	Likely penalty at Rs.295 per tonne (in crore)
Name of block	Name of company			
Gare-Palma-IV/1 Gare-Palma-IV/2 Gare-Palma-IV/3	Jindal Power Ltd	100.1	12.25	3,314.32
Pachwara Central	Punjab State Electricity Board	49.6	7.00	1,669.70
Tara (East)	West Bengal State Electricity Board	27.2	2.00	861.40
Tara (West)	WBPDCL			
Sarisatolli	RPG Industries/CESC Ltd	24.3	2.80	799.45
Talabira-I	Hindalco Industries Ltd	16.4	2.5	557.55

Coal reserves by state in million tonnes



ernment should also factor in this component,” he added.

Currently, nearly \$20 billion worth of coal is imported and this can come down if the mines start production after the e-auctions. Also, waiting for the process to take off is the power sector. The power plants whose linked coal blocks were termed illegal by the apex court are the ones looking for immediate solutions.

(With inputs from Debabrata Das.)

Overall coal dispatches in million tonnes						
Company	Aug 2014	Aug 2013	Growth (%)	Apr-Aug 2014	Apr-Aug 2013	Growth (%)
CIL	37.303	35.096	6.3	194.890	188.570	3.4
SCCL	4.072	3.142	29.6	18.281	12.583	13.6

Coal dispatches to power sector in million tonnes						
Company	Aug 2014	Aug 2013	Growth (%)	Apr-Aug 2014	Apr-Aug 2013	Growth (%)
CIL	28.19	26.288	7.0	144.876	141.101	2.7
SCCL	3.070	2.124	44.5	15.080	12.583	19.8

CIL: Coal India Limited; SCCL: Singareni Collieries Company Limited