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Coal ministry releases 1st coal block auction approach paper

Coal Ministry has issued the draft approach paper today, which has laid out the methodology, formula and eligibility criteria for conducting the 1st round of coal e-auction.

Coal Ministry has issued first Coal Block Auction Approach Paper, with methodology, formula and eligibility criteria for conducting first round of coal e-auction. The Ministry of Coal has invited public comments on the approach paper, which shall be accepted till 22 Dec, 2014 and might help for framing tenders of 92 coal blocks which are to be auctioned or allocated in the first round.

The approach paper is for initial phase, in which Schedule II & Schedule III blocks will be offered for auction or allocation. The coal ministry has to meet 16 Mar, 2014 deadline by when the 92 coal blocks must be allocated through e-auction and government dispensation.

The Approach Paper

1. Two methods of bidding for coal blocks auction; forward bidding for unregulated sectors such as steel, cement & captive power, for which INR 150/MT will be the floor price for bidding, in which the highest bidder wins. And, reverse bidding for specified end-use for power generation, for which INR 100/MT will be the floor price, in which the lowest bidder wins.

2. The bidders for operational mines should have incurred approx 80% expenditure of the total project costs and appox 60% expenditure for mines, which are about to come into production.

3. There would be a ceiling to CIL’s prices so that power prices do not move up.

4. Surplus coal shall be sold to CIL at bid price or CIL’s notified price. Earlier, the government stated that coal swapping would be allowed i.e. if someone have surplus coal, it can be used for the same companies/ another plant, but no such matter is mentioned in the current document.

5. Companies are not allowed to submit more than one bid for a mine — individually or as a shareholders in a joint venture. Bidding for more than one coal block for the same end use plant is not permitted. In the case of a joint venture, a change in composition is not permitted during the bidding process.

6. As per Coal Mines (Special Provisions) Ordinance 2014, Schedule II mines are the mines those have already come into production. While, schedule III mines are those, which are ready to come into production. On 24 Sep’14, the Supreme Court de-allocated 204 coal blocks, of these, 42 were already producing, while, another 32 were ready to come into production.

7. Companies are required to furnish a performance bank guarantee that would be valid for 2 years for Schedule II mines and it will last till the peak rated capacity for Schedule III mines is achieved.

8. For schedule II coal mines, in the event of shortfall in production, the deficit percentage according to the approved mining plan will be deducted from bank guarantee. For instance, if only 80% of the mining plan is achieved, 20% of the bank guarantee will be deducted by the Indian Government. A similar methodology has been put in place for schedule III mines.

The auction process will be managed by MSTC, the public sector company. The Coal Ministry has constituted inter-ministerial committee to discuss the approach paper after the comments of stakeholders. On 19 Dec’14, the committee will meet to examine the comments and then after, the ministry will float the final technical bill. Source : www.steel-360.com