

**APP Comments on Draft Methodology of allocation of coal as per provisions of Para B(v) of SHAKTI Policy of Ministry of Coal**

Clause no.	Existing provision	Amendment suggested by APP	Rational for suggestions / Clarifications sought
3 (a)	(a) Long term or medium term power requirement of group of States...	Short term power requirement of tenure greater than 6 months may also be added.	Many State discoms are coming up with Short Term Tenders for power procurement. Inclusion of short term requirement under this methodology would allow more efficient power supply under such short term tenders.
3 (d), (e)	<p>(d) Coal linkages shall be identified by Coal India Ltd/ Singareni Collieries Company Ltd for quantity of the above requirements corresponding to the quality of coal in advance with the schedule to start supply of coal.</p> <p>(e) Such coal linkage shall be described in terms of the linkage, quality of coal and source of coal linkage (i.e, description coal fields) to enable the prospective bidders to undertake proper due diligence while working out their bids.</p>	<p>It would be prudent if MoP / PFC first invites EOI (expression of interest) for generators.</p> <p>In the EOI, generators may be provided option for their two nearest coal sources.</p> <p>Based on the EOI, MoP/PFC may come up with the coal source to ensure that most cost optimum coal sources are available for bidding.</p>	<p>This initial approach would help in ensuring that optimal coal sources are made available for bidding based on the interested generators.</p> <p>This will allow quick turnaround time and less pollution. This will also help with lower logistics cost and will thus ensure that lowest tariff is passed on the customers.</p>
3 (f)	In case of availability of <u>coal from more than one source</u> , it shall be assured that it is being made available from maximum of three or four sources with minimum 20% quantity from each source of the total coal requirement for the aggregated power		Clarity is sought on the definition of ‘source’ mentioned in the Draft Methodology – does this mean <u>coal mine</u> <b>OR</b> the <u>subsidiary of Coal India Limited / Singareni Collieries Company Limited</u> ?

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3 (g)	The coal companies shall issue a letter of assurance or <u>such other instrument</u> with relevant description of coal duly mentioned, to the Nodal Agency / aggregator to facilitate procurement of aggregated power.....		Please clarify what " <b>other instrument</b> " can be provided other than the Letter of Assurance for ascertaining coal assurance to the Nodal Agency / aggregator and in turn the developer?
3 (k) (I) (b)	Capacity on offer (MW), A Bidder shall offer a Minimum capacity of 100 MW.	Capacity on offer (MW), A Bidder shall offer a Minimum capacity of <del>100</del> 50 MW.	<p>At present there are many plants where the residual untied capacity is less than 100 MW – relaxation of the minimum offer criteria to 50 MW will also enable these plants to participate, resulting in higher participation and better price discovery.</p> <p>Further, most of these plants with less than 100 MW residual untied capacity have already taken Long Term Open Access which they are paying at present without any supply. Including them in the bidding process will help them to utilize/offset their LTOA payment obligations.</p>
3 (k) (v)	Post conclusion of E-reverse auction, the bidders other than the successful bidder shall be asked to offer their capacity at the quoted tariff of successful bidder (L-1 matching).	Post conclusion of E-reverse auction, the bidders <del>other than the successful bidder</del> shall be <b>arranged in ascending order of their total quoted tariff and shall be selected to the extent of quantum getting fulfilled under bucket filling approach of Nodal Agency / aggregator.</b> <del>asked to offer their capacity at the quoted tariff of successful bidder (L-1 matching).</del>	The cost of power generation is based on several parameters such as coal cost, distance from coal mines, quality of coal supply, transportation logistics, water availability and charges, transmission charges, unit size, technology used and equipment involved, plant efficiency in terms of Station Heat Rate, auxiliary consumption etc. Based on these factors, every generating station will have different cost of generation. In fact, we have seen many times in the past that even projects

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			<p>with similar dates of commissioning and in nearby proximity to each other have shown different cost of generation.</p> <p>Forcing all the bidders to match the tariff of L1 bidder is unreasonable and unfair. In fact, It defies all logic how such a provision can be termed just and rational, especially when the Government, at the highest level, has acknowledged the need for implementation of various reform measures to reduce the stress being faced by the power generators.</p> <p>We strongly oppose this concept and feel that the Government needs to reconsider this concept of uniform tariff as each plant (along with its coal source) has its unique cost dynamics.</p>
3 (l) (ii) (b)	Capacity on offer (MW), A Bidder shall offer a Minimum capacity of 100 MW.	Capacity on offer (MW), A Bidder shall offer a Minimum capacity of <del>100</del> 50 MW.	<p>At present there are many plants where the residual untied capacity is less than 100 MW – relaxation of the minimum offer criteria to 50 MW will also enable these plants to participate, resulting in higher participation and better price discovery.</p> <p>Further, most of these plants with less than 100 MW residual untied capacity have already taken Long Term Open Access which they are paying at present without any supply. Including them in the bidding process will help them to</p>

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			utilize/offset their LTOA payment obligations.
3 (l) (ii) (c)	New Clause	<p>The bidder can bid from two or more coal sources from the same offered capacity. However, at the time of bucket filling, only the lowest bid from such offered capacity shall be selected and the other bids from the same offered capacity will be rejected.</p> <p>For the avoidance of doubt and by way of illustration, let us assume a bidder has 100 MW of spare capacity, and it has submitted bid for 100 MW at Rs. 2.50 / unit from one source of coal and 100 MW at Rs. 2.70/unit from second source of coal.</p> <p>In such a scenario, at evaluation stage, the lower bid of Rs. 2.50/unit shall be selected, if getting fulfilled under bucket filling approach of Nodal Agency / Aggregator, and the other bid shall be considered eliminated.</p>	<p>At present, the draft methodology appears to disallow a bidder to bid for two or more coal sources for the same offered capacity. This leads to a risk of the bidder being unsuccessful from one coal source and being eliminated even while it could have emerged as a competitive bidder for another coal source.</p> <p>In the case of multiple coal sources, the cost dynamics would vary across each of the mines and would be dependent on the proximity of the bidder's project to the individual coal sources. Therefore the cost competitiveness of a particular bid would also be dependent on factors such as distance of other bidders from the particular coal source and it would be very difficult for a bidder to accurately estimate from which coal source he can place a winning bid.</p> <p>Hence it is important to allow multiple bids from different sources of coal for the same offered capacity as this will help the bidder to hedge his risks appropriately. This will also increase competition for each of the coal sources which will ultimately result in better price discovery for the procurers.</p>

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3 (1) (xiii)	At the end of e-reverse auction round, the lowest tariff received amongst all the coal sources on offer shall be matched in the next round (L 1 matching).	At the end of e-reverse auction round, <b>the bidders other than the successful bidder shall be arranged in ascending order of their total quoted tariff and shall be selected to the extent of quantum getting fulfilled under bucket filling approach of Nodal Agency / aggregator. asked to offer their capacity at the quoted tariff of successful bidder (L-1 matching).</b>	<p>The cost of power generation is based on several parameters such as coal cost, distance from coal mines, quality of coal supply, transportation logistics, water availability and charges, transmission charges, unit size, technology used and equipment involved, plant efficiency in terms of Station Heat Rate, auxiliary consumption etc. Based on these factors, every generating station will have different cost of generation. In fact, we have seen many times in the past that even projects with similar dates of commissioning and in nearby proximity to each other have shown different cost of generation.</p> <p>This difference in the cost of generation will be even more in the case of bids from multiple coal sources as the bidders will have different landed coal cost due to differences in the distance from the coal mine.</p> <p>Forcing all the bidders to match the tariff of L1 bidder is unreasonable and unfair. In fact, It defies all logic how such a provision can be termed just and rational, especially when the Government, at the highest level, has acknowledged the need for implementation of various reform measures to reduce the stress being faced by the power generators.</p> <p>We strongly oppose this concept and feel that</p>

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3 (l) (xiv)	<p>The process of L1 Matching in case of multiple coal sources would be conducted simultaneously, and the process shall begin after the reverse auction for all the coal sources is over.</p>	<p>The process of <b>Bucket filling L1-Matching</b> in case of multiple coal sources would be conducted <b>simultaneously separately for each coal source</b>, and the process shall begin after the reverse auction for all the coal sources is over.</p>	<p>The cost of power generation is based on several parameters such as coal cost, distance from coal mines, quality of coal supply, transportation logistics, water availability and charges, transmission charges, unit size, technology used and equipment involved, plant efficiency in terms of Station Heat Rate, auxiliary consumption etc. Based on these factors, every generating station will have different cost of generation. In fact, we have seen many times in the past that even projects with similar dates of commissioning and in nearby proximity to each other have shown different cost of generation.</p> <p>This difference in the cost of generation will be even more in the case of bids from multiple coal sources as the bidders will have different landed coal cost due to differences in the distance from the coal mine.</p> <p>Forcing all the bidders to match the tariff of L1 bidder is unreasonable and unfair. In fact, It defies all logic how such a provision can be termed just and rational, especially when the Government, at the highest level, has acknowledged the need for implementation of</p>

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			<p>various reform measures to reduce the stress being faced by the power generators.</p> <p>We strongly oppose this concept and feel that the Government needs to reconsider this concept of uniform tariff as each plant (along with its coal source) has its unique cost dynamics.</p>
3 (l) (xix)	Further in case the bidder doesn't honour the contract for one of the mines, the entire capacity allotted to the bidder from various mines would be cancelled.	To be deleted	If the bidder is unable to honour the contract due to any reason which is not in the control of the bidder, then it is very harsh and unfair to cancel all the capacity allotted to it.
New Clause to be added		<p>Coal companies shall provide 100% of the coal required by a Bidder to supply the offered quantum under the Bidding Process / LoA / FSA / other instrument. The coal requirement shall be computed on the basis of actual GCV of coal supplied.</p> <p>In case coal supplied under this methodology is not adequate to meet the power supply obligations under the PPA, the developer should be allowed to meet such deficit coal requirement by arranging coal from alternative sources such as e-auction, imports etc., and the cost of arranging for such deficit coal should be a pass-through.</p>	This will enable the generator to meet its obligations for power supply under the agreement to be signed with the Nodal agency/aggregator.

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New Clause to be added		<p>Nodal Agency / aggregator shall be responsible for ensuring 100% of the coal requirement is provided to the Bidders under the LoA / FSA / other instrument during the term of the Agreement. The coal requirement shall be computed on the basis of actual GCV of coal supplied.</p> <p>In case coal supplied under this methodology is not adequate to meet the power supply obligations under the PPA, the developer should be allowed to meet such deficit coal requirement by arranging coal from alternative sources such as e-auction, imports etc., and the cost of arranging for such deficit coal should be a pass-through.</p>	<p>This will enable the generator to meet its obligations for power supply under the agreement to be signed with the Nodal agency/aggregator.</p>
New Clause to be added		<p>The draft methodology is presently silent on the modalities for transportation of coal. Coal India Ltd/Singareni Collieries Company Ltd may be instructed to ensure that coal supply from the identified sources may be allowed through both Rail &amp; Road mode.</p>	<p>This will help with seamless supply of coal since during break-down/curtailment of one mode, the other mode can be used.</p>