

S. No	Clause No. and Existing Provision	Suggestion or Amendment, if any	Rationale for Clarification or Amendment
1	<p>Page 1, 2(a)</p> <p>“For taxation purpose, the Coal Index will be the base indicator”</p>	<p>More clarity required on this aspect. Taxes can be levied only on actual income/transactions and should not be levied on notional transactions.</p>	<p>Which all taxes would be calculated on the basis of NCI should be made clear. Various taxes are governed by the different tax codes such as Income Tax Act, Excise related acts, GST etc. The link between these tax codes and the Coal Index is not clear.</p> <p>Further, taxes can be levied only on actual income/transaction and should not be levied on the notional transaction.</p>
2	<p>Clause 1.2</p> <p>Purpose and scope of the index</p> <p>“Washed coal and coal products are not included.”</p>	<p>Washed coal should also be given due weightage for computation of the National Coal Index.</p>	<p>Apart from ROM coal, washed coal is also widely used in the country. Moreover, many more coal blocks are lined up for auction for commercial mining. Indian coal being of lower grade, washing of coal will see a rise in near future. Further, CIL is also under process of establishing washeries of about 100 MTPA.</p> <p>Hence, washed coal will form a considerable quantum of coal volume in future and therefore washed coal should also be given due weightage for computation of NCI. Pricing of commodity as used in the industry should be considered in order to reflect the domestic coal market more precisely.</p>
3	<p>Clause 2.2</p> <p>Where and when the index can be computed – computation of National Coal Index on monthly basis, with provisional index for a particular month after a delay of one month and final value after a delay of two months.</p>	<p>It would be more realistic and future-proof to ensure that the index is made available at least on a weekly or fortnightly basis, with a 1 week and 2 weeks delay for provisional and final index respectively.</p>	<p>Publishing Monthly Provisional index after a delay of 1 month and Final index after a delay of 2 months for the current month will be of no relevance to buyers and sellers and would become obsolete.</p> <p>Hence, it would be more realistic and future-proof to ensure that the index is made available at least on a weekly or fortnightly basis, with a 1 week and 2 weeks delay for provisional and final index respectively.</p>

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4	<p>Clause 3.1 No separate sub-index for regulated sector</p>	<p>Considering the significant differences in pricing of coal between regulated and non-regulated sectors, it is suggested to have separate indices/sub-indices for regulated and non-regulated sector.</p>	<p>As per the Report, separate indices for Regulated and Non-Regulated Sector have not considered because commercial coal miners would be selling coal to both regulated and non-regulated sectors. However, Para 1.2 of the Report which talks about scope and purpose of the index, appears to indicate that the scope of the index may not be only limited to commercial coal mining/coal block auctions and may be used for developing the coal market in the future and also as base indicator for taxation.</p> <p>In this regard, it may be highlighted that there is significant difference in pricing of coal of same GCV between the regulated and non-regulated sector. In fact, CERC has now moved away from the earlier practice of computing escalation rate for domestic coal based on WPI for non-coking coal since the WPI does not capture the movements in price of non-coking coal applicable for power sector.</p> <p>Therefore, considering the significant difference in pricing of coal between regulated and non-regulated sectors and in order to make the index future-ready, it is suggested to have separate indices/sub-indices for regulated and non-regulated sector.</p>
5	<p>Clause 3.2 Modelling Simplifications 'Booking values used for auctions'</p>	<p>Actual volume of coal dispatched from the booked volume during e-auction should be considered.</p>	<p>Dispatch volumes of coal booked in the e auctions should be taken into account for computation of index. Auction bookings are future commitment and may not reflect the actual market scenario. Many times, successful bidders are not able to lift the volumes booked during the e-auction stages due to non-availability of coal or other issues. Hence considering only booking volume would not depict the correct dynamics of price or index. Therefore,</p>

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			<p>actual volume of coal dispatched from the booked volume during e-auction should be considered.</p>
<p>6</p>	<p>Clause 3.2 Modelling Simplifications</p> <p>In National coal Index for non-coking coal, 3 sub-groups have been prescribed: Top Grade: G1 - G6 Middle Grade: G7 - G14 Bottom Grade: G15 - G17</p>	<p>The sub-indices should be further broken down to reduce the GCV band and also include categorization based on other impurities in coal such as ash content, moisture, sulphur etc.</p>	<p>The non-coking coal indices have been divided into 3 sub-indices of top, middle and bottom grade. This has been done to keep it in line with the grouping used for WPI computation by DIPP. Essentially, this categorization has been done on the basis of convenience in gathering data, which would eventually fail to serve its intended purpose of capturing the fundamentals and dynamics of the coal market.</p> <p>Considering that there are 17 published grades for non-coking coal, each with different pricing, it implies that there would be significant price variation within these proposed sub-indices. Each sub-index has a GCV band of more than 2000 Kcal/Kg which is very high and is not in line with international practices. Further, as an example, out of the 80 coal mines notified by MoC for commercial mining, 80-90% falls under non-coking middle grade category out of which a majority of mines fall in the range of G10 to G14.</p> <p>It is therefore suggested that the middle grade may be split into two or three sub-groups in order to be more realistic and representative.</p> <p>Apart from GCV, ash content, moisture, sulphur etc. also play major role in determining price of non-coking coal, and hence grading should also be done on these parameters.</p>

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7	<p>Clause 3.2 Modelling Simplifications – GCV value</p>	<p>All non-coking coal should be graded based on GCV calculated on ARB basis</p>	<p>The index does not consider the methodology used to determine GCV. The GCV determination and grading by CIL is on equilibrated basis (60:40) and the domestic coal is billed on ADB basis whereas for imported coal it is on ARB basis. This methodology can have a variation of 300-400 Kcal/Kg depending on the conditions.</p> <p>Therefore, going forward, all non-coking coal should be graded with GCV calculated on ARB basis, OR the National Coal Index should factor in variation between ADB and ARB values in the index computations.</p>
8	<p>Clause 3.2 Modelling Simplifications – Exclusion of domestic producers other than CIL and SCCL, and coal auctioned by SCCL.</p>	<p>These excluded categories should be considered in the National Coal Index.</p>	<p>At present, other domestic producers have lesser contribution compared to CIL & SCCL because most of the mines allotted/auctioned to the other domestic producers are yet to start production as they are in developing phase. Few years from now, after the development of these mines are completed and they enter into production phase, coal from these producers will contribute to a significant volume and hence should not be left out.</p> <p>Year on year actual volume produced by each category of producers should be considered. Similarly, coal auctioned by SCCL is similar to CIL and should not be left out for computing of price indices.</p>
9	<p>Clause 3.3 Price channels used for the Index Imported coal</p>	<p>It is suggested that the National Coal Index should only consider Indian coal transactions.</p>	<p>The primary objective of awarding coal blocks for commercial mining and captive mining is to replace and reduce import of coal. After a few years when many captive and commercial mines start production, then import of coal should reduce significantly. Hence, imported Coal should not be considered as an indicator of coal consumption and pricing scenario in India as it will</p>

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			<p>only inflate the National Coal Index unnecessarily. It may also be pointed out that no other coal index used globally considers transactions of coal which is not originated in same country.</p> <p>Hence, NCI must consider only Indian coal transactions and if imported coal is still to be considered for any reason, the weightage given to it must be kept at a bare minimum.</p>
10	<p>Clause 3.3 Price channels used for the Index Coking coal</p>	<p>It is suggested that coking coal grades with high ash content such as W-III and W-IV should not be considered for computation of NCI.</p>	<p>W-III and W-IV grades of coking coal have high ash content and are not suitable for use as coking coal. They are also priced disproportionately high, when considering their GCV value and ash content. These grades may be removed from the computation in order to avoid anomalies.</p>
11	<p>Clause 3.5 Usage of CIF unit values of imported coal instead of foreign price assessments</p>	<p>As suggested in s.no.9, NCI should only consider Indian coal transactions. However, if imported coal is still to be considered for some reason, FOB value should be considered instead of CIF.</p>	<p>For an apple to apple treatment of imported coal and domestic coal, FOB price is the most comparable with ROM price of domestic coal. Inclusion of CIF values will significantly inflate the coal index. Therefore, to have a fair representation, FOB values for imported coal should be considered.</p>
12	<p>Clause 3.5 The entire CIF value of non-coking coal imported from Indonesia has been put under middle grade.</p>	<p>As suggested in s.no.9, NCI should only consider Indian coal transactions. However, if imported coal is still to be considered for some reason, coal imported from Indonesia should be given significant weightage in the top grade (G1-G6) as well based on GCV.</p>	<p>As matter of fact, top grade imports from Indonesia are significant and cannot be ignored. This would inflate the middle grade non-coking coal index.</p>

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13	<p>Clause 4.2 Mode of calculation of price for auction coal:</p> <p>Index at i^{th} month of non coking coal transactions through auction is: $N_{1i} = w_{t1n} N_{t1i} + w_{a1n} N_{a1i} + w_{m1n} N_{m1i}$</p>	<p>For non-coking coal transactions through auction, step down calculation for the following criteria should also be considered:</p> <ul style="list-style-type: none"> - Type of auction - Grade of Coal - Regulated & Non regulated sector 	<p>In the current proposal, all types of auctions are combined for arriving at the weight of auction coal. Purposes & types of end user are different for various auctions such as exclusive, forward, special forward, spot, special spot and linkage auctions and hence prices arrived at on the basis of such auctions are very different.</p> <p>Further frequency and quantity of each type of auction is different. Hence, the step-down calculation for the following criteria should also be considered:</p> <ul style="list-style-type: none"> - Type of auction - Grade of Coal - Regulated & Non regulated sector <p>This would be similar to the various step down calculation considered for notified price as under 4.1. This would provide a more representative index.</p>
14	<p>Clause 4.2 FY 2017-18 has been considered as the base year</p>	<p>FY 2017-18 is not suitable to be considered as the base year. If it is used, data may be normalised and exceptions may be accounted and dealt with.</p>	<p>The rationale for considering the base year is that the coal production in that particular year should be 'normal' production, trade and price variation. However, year 2017-18 witnessed huge shortage of coal supply, reflected in the form of higher e-auction premium, high electricity price on exchange and surging imports</p>
15	<p>Clause 4.3 It is suggested that the weights used in the coal index should be revised every four years.</p>	<p>Weightages should be revised on monthly (or max quarterly) basis to ensure accurate index values.</p>	<p>Accuracy and representativeness of price and quantity data is critical for the purpose of the National Coal Index. Revision of weightages every four years will not yield accurate results and it is suggested that weightages should be revised on monthly (or max quarterly) basis. This will ensure accurate index values even if computations are made more complex.</p>

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			<p>If the above cannot be done, then the base year may be taken as FY 2020-21, being the most recent year before the implementation of National Coal Index.</p>
16	<p>Clause 4.4 Sub-indices</p> <p>“Some potential users have suggested the utilization of these sub-indices for greater relevance to a particular coal block being auctioned. The HPEC may take a call on whether this should be done in lieu of a single index.”</p>	<p>There is no relevance of a single index. It is vital that relevant sub-indices be used for particular coal block auctions.</p>	<p>A single index in form of NCI may not be very useful. Segregation into multiple indices will help in appropriate benchmarking and pricing.</p> <p>An overall National Coal Index will not reflect the actual value of most of the blocks that are being bid out. Since the coal index is expected to be used as the basis for setting up auction prices and premium escalations under various coal auction, it is suggested to utilize separate sub-indices for domestic non-coking coal for this purpose.</p> <p>The relevant sub-index will be assigned to the respective coal block (s) and this will form basis for computation of intrinsic value and escalation in the future premiums.</p>
17	<p>General</p>	<p>Various coal blocks have been allocated/auctioned to various PSU's/private entities. However, the price of coal arrived at based on the allotment/auction of past coal block has not been given any weightage in computation of NCI. At present the overall weightage of allotment/auction of coal blocks is very low but this is expected to increase drastically especially after auction of coal block for commercial mining. Hence in order to make index representative of future market, future potential supply from various sources should also be considered and not only past.</p>	