26

STANDING COMMITTEE ON ENERGY

(2011-12)

FIFTEENTH LOK SABHA

MINISTRY OF POWER

[Action Taken on the recommendations contained in the Tenth Report (15th Lok Sabha) on Availability of Gas and Coal for Power Sector]

TWENTY SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

May, 2012/ Vaisakha, 1934 (Saka)

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Presented to Lok Sabha on 03.05.2012

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@ Ceased to be member of the Committee consequent upon her retirement from Rajya Sabha w.e.f. 15th February, 2012

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INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this 26st Report on the action taken by the Government on the recommendations contained in 10th Report of the Standing Committee on Energy (15th Lok Sabha) on 'Availability of Gas and Coal for Power Sector'.

2. The 10th Report was presented to Lok Sabha/ laid in Rajya Sabha on 21th August, 2010. Replies from the Ministry of Power, the Ministry of Coal, the Ministry of Railways and the Ministry of Petroleum and Natural Gas were received on 09th December, 2010, 06th December, 2010, 06th December, 2010 and 30th January, 2012. However, the replies from the Ministry of Environment and Forest are still awaited.

3. The Report was considered and adopted by the Committee at their sitting held on 25th April, 2012.

4. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. An analysis on the Action Taken by the Government on the recommendations contained in the 10th Report of the Committee is given at Appendix-II.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

CHAPTER - I

This Report of the Standing Committee on Energy deals with the action taken by the Government on the Recommendations/Observations contained in their Tenth Report (Fifteenth Lok Sabha) on the subject 'Availability of Gas and Coal for Power Sector' pertaining to the Ministry of Power.

2. The Tenth Report was presented to Lok Sabha on 21st August, 2010 and was laid on the Table of Rajya Sabha on the same day. The Report contained 11 Recommendations/Observations.

3. Action Taken Notes in respect of all the Recommendations/Observations contained in the Report have been received from the Government except for recommendation at Sl. No. 5 related to the Ministry of Environment and Forest. These have been categorized as follows:

(i) Recommendations/Observations which have been accepted by the Government:

Serial Nos. 3, 6, 7, 8, 9, 10 — Total - 06 Chapter-II

(ii) Recommendation/Observation which the Committee do not desire to pursue in view of the Government's replies:

Serial No. 1 — Total - 01 Chapter-III

(iii) Recommendations/Observations in respect of which the reply of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. 2, 4 and 11 — Total–03 Chapter-IV

(iv) Recommendation/Observation in respect of which the final replies of the Government are still awaited:

Serial No. 5 — Total - 01 Chapter-V

4. The Committee desire that Action Taken Notes on the Recommendations/Observations contained in Chapter-I of the Report may be furnished to the Committee within three months of the presentation of the this Report. The Committee also desire that the Government should furnish replies to the recommendation in respect of which Government replies are still awaited.

5. The Committee will now deal with action taken by the Government on some of their Recommendations that require reiteration on merit comments.

A. REQUIREMENT AND SUPPLY OF COAL

Recommendation (Sl. No. 2, Para No. 2.2)

6. The Committee had noted that there are coal stocking norms for power stations of different categories based on their distance from the coal mines. It is 15 days for pit head power stations, 20 days for stations located up to 500 km, 25 days up to 500-1000 km and 30 days for beyond 1000 km. The stocking norms are aimed to achieve optimal power generation, if properly adhered to. However, the Committee's examination had revealed that these norms are not being followed in most of the cases. Many of the plants had been categorized as critical as they had coal stocks less than 7 days. As on 13.05.2010, as many as 6 plants were in super critical category having stock of less than 4 days. Slight negligence from any of the involved agencies that supply coal to power stations would result in shut down of the plants for the want of coal. Although the Ministry of Coal take stock of the situation regarding supply of coal to power stations on monthly basis yet various power stations were not having coal stocks as per specified norms. The reasons for this situation had been attributed to non-availability of proper and sufficient rail rakes, pilferage during the transportation, constraints in

existing rail transportation infrastructure, old/outdated loading and unloading facilities etc. The basic infrastructural facilities at mines, loading, safe/proper and timely transportation need to be periodically reviewed to ensure the availability of coal to power stations as per the norms. The Committee, therefore, had strongly recommended that necessary steps should be taken to augment the base work to ensure the assured coal supply to power stations as per the stocking norms.

7. The Ministry of Power in their Action Taken Reply have stated as under:

> "With a view to have assured coal supply to power stations, coal requirement for generation of power as well as building up stock to a reasonable level has been taken into consideration, while estimating the coal requirement for the Power Utilities.
>
> Following steps have been taken to augment supply of coal to thermal power stations in the country:
>
> Power utilities have been advised to import coal to bridge the gap between demand and its availability from domestic sources. Import of coal by power utilities is being monitored on regular basis by Ministry of Power/Central Electricity Authority.
>
> Coal stock at the power stations as well as availability of adequate railway rakes for transportation of coal to power stations are reviewed in the meetings at various forums including the Inter-Ministerial Sub-Group, Inter-Ministerial meetings and Infrastructure Constraints Review Group meeting in the Cabinet Secretariat for taking appropriate steps.
>
> Coal India Limited is in the process of deploying mobile crushers. Thermal Power Stations are also augmenting and expanding unloading facilities, wherever required. Theft of coal en-route to the power stations is

taken up with the concerned State Governments as well as Home Ministry. Expediting contracts for transportation of coal by road from the mine head to railway sidings and owning road transportation fleet by the coal companies are under consideration of the coal companies of CIL.

Ministry of Coal/CIL has been requested to enhance the supply of coal to the power sector to avoid generation loss due to shortage of coal.

In a meeting held in the Ministry of Power on 15th June, 2011, following decisions were taken:
(a) Ministry of Railways may make arrangements for providing additional rakes at MCL(Ib) and SECL(Korba) to assist the coal companies in liquidating the stock of coal at mine heads.
(b) Ministry of coal may (i) expedite transportation of adequate quantity of coal from mine head to railway siding so that loading time could be reduced.
(ii) Supply sized coal to enable quick release of wagons.

As a result of measures taken approximately 13 MT coal has reportedly been liquidated during April to July, 2011 from the stock at mine heads of CIL."

8. In their Action Taken reply the Ministry of Coal have replied as under:

"In order to monitor the coal stock at power stations, a monitoring mechanism is already put in place in the Ministry of Coal. An inter-ministerial Sub-group of the Infrastructure Review Committee of Cabinet Secretariat, under the Chairmanship of Joint Secretary, Ministry of Coal reviews the coal stock available at power stations and take contingency decisions in association with Central Electricity Authority and Railways for priority movement of coal to those power stations, where generation could suffer for want of coal.

Following are the coal supplies to the power plants served by SCCL for the year 2010-11.

Name of power plant	Linkage (LT)	Annual contract quantity (LT)	Supplies from 1.4.10 to 27.9.10 (LT)	Stock position as on 26.9.10 (LT)	No. of days stocks
KTPS	51.3	59.00	48.97	3.81	20
Muddanur Stage-I & II	35.80	38.80	12.55	2.59	26
RDM-B	3.1	3.00	1.45	0.12	12
TOTAL APGENCO	90.20	100.80	62.97	-	-
Kakatiya TPP	21.60	21.60	4.48	3.30	-
KPCL	30.10	30.10	7.07*	3.67	26
MAHAGENCO	22.60	22.60	8.85	1.07	8
NTPC	102.00	102.00	51.30	1.29	3

From the above it can be inferred that power houses linked to SCCL are supplied coal as per linkage and are having sufficient stocks.

*The shortage in supplies to KPCL is only due to non-drawal of coal supplies by KPCL itself.

9. In reply to the recommendation of the Committee regarding taking necessary steps to augment the base work to ensure the assured coal supply to power stations as per the norms, the Ministry of Coal have in a routine reply stated that in order to monitor the coal stock at power stations, a monitoring mechanism is already in place. An inter-ministerial Sub-group of the Infrastructure Review Committee of Cabinet Secretariat, under the Chairmanship of Joint Secretary, Ministry of Coal reviews the coal stock available at power stations to take contingency decisions in association with Central Electricity Authority and Railways for priority movement of coal to those power

stations, where generation could suffer for want of coal. Whereas, the Ministry of Power in their reply have stated that with a view to have assured coal supply to power stations, coal requirement for generation of power as well as building up stock to a reasonable level has been taken into consideration, while estimating the coal requirement for the Power Utilities. Further, they have enumerated various steps to augment supply of coal to thermal power stations in the country viz. import of coal by power utilities, review of availability of railway rakes for transportation of coal to power stations, augmentation and expanding unloading facilities by thermal power stations etc.

The Committee are surprised to note that despite having a monitoring mechanism/ and taking various steps by both the Ministries, adequate coal stocks at various power stations as per norms are still not maintained at various power plants and many plants are in super critical category having stock of less than 4 days. From this it is apparent that either the mechanism/steps taken themselves are ineffective or have not been taken/ being taken in right earnest. In any case the situation is equally worrisome as any hiccup in supply of coal to these critical and super critical power stations, even for short duration, will result in shut down of power stations causing power generation loss due to non-availability of fuel and will severly worsen the existing power shortage in the Country. The Committee find it difficult to accept that power plants with adequate coal allocations

suffer generation loss due to non-maintenance of adequate coal stocks at power station for whatsoever reasons. The Committee, therefore, would like to reiterate their recommendation and emphasize that effective steps should be taken to augment the base work to ensure the assured coal supply for stocking of sufficient coal stocks at power stations as per norms. The Committee would emphasise that the recommendation should be implemented in letter and spirit.

B. DEVELOPMENT OF COAL BLOCKS

Recommendation (Sl. No. 4, Para No. 2.4)

10. In regard to allotment of coal blocks, the Committee in their original Report had recommended as under:

"It appears to the Committee that the process of allotment of coal blocks is too officious, mechanical and unimaginative. As of now it appears that coal blocks are allocated without analyzing their usefulness to the allotee utilities. Instead of looking at the issue in its entirety to take the process to logical ends i.e. the allotted block become useful to the allocattee by meeting their requirement and expectations as well, a short sighted view with limited role and responsibility appears to be the hallmark in this regard. The matter does not end with the routine mechanical process of allotting a coal block and appending certain pre-conditions to develop it within a specified time period. The Ministry of Coal should also be responsible enough to become a facilitator to remove the bottlenecks in the development of the coal blocks rather than playing a role of big brother intimidating the power utilities for the reasons for which they are not directly responsible. The allotment and the subsequent de-allotment of the Kasta (East)coal block to the DVC is glaring

illustration of the manner in which the system is working there. Instead of finding a solution as to how the Kasta coal block can become economically viable for DVC, the blatant de-allocation speak of the arrogance and displays the tendency of shedding its own responsibility. Had the two adjutant blocks viz. Kasta(west) and Kasta(south) been clubbed with Kasta (east) block, it might have resulted in fruitful exercise solving the problem of DVC, expediting and enhancing the coal production. The Plea that the other two blocks are not identified and are not in the list of blocks for the allocation does not hold good as the DVC might have been reasonably assured of their allotment after the identification of the blocks. There is lack of vision, will and determination on the part of the Ministry of Coal to resolve the issue to the satisfaction of the utilities. This kind of approach is bound to complicate the entire process. The Committee, therefore, strongly recommend that the allotment of the coal blocks to the power utilities should be done in a transparent and objective manner. The requirement of the power utilities should be met from the geographically adjutant blocks to facilitate the smooth excavation and carriage of the coal and to minimize the related storage / transportation costs involved therein."

11. The Ministry of Coal in their Action Taken Reply have stated as under:

> "Allocation of coal blocks for captive end use through the Screening Committee route is done by an Inter-Ministerial and Inter-Governmental Group called the Screening Committee. The recommendations made by the Screening Committee for allocation of coal blocks are based on the views of the concerned State Governments, administrative nodal Ministries and CMPDIL. A copy of the guidelines and procedure for allocation of coal blocks is already available in the public domain on the Website of Ministry of Coal. All the details of the coal blocks which are advertised for allocation are also posted on the Website of Ministry of Coal. All the applicants before applying are aware of the details and the procedure followed for allocation of coal blocks. The system therefore, is, adequately transparent. A copy of the guidelines is enclosed at Annexure.

Further, to bring in greater transparency in allocation of coal blocks, the Govt. had introduced the Mines & Minerals (D&R) Amendment Bill to enable auctioning of coal &lignite blocks through competitive bidding process. The said bill has since been passed by both Houses of the Parliament in the Monsoon Session of Parliament, 2010 and has been notified in the Gazette on 9th September, 2010. The Govt. has set up a Committee to frame rules and guidelines for initiating competitive bidding.

M/s Damodar Valley Corporation (DVC) was allocated five coal blocks including Kasta (East) coal blocks with combined geological reserves of 986.64 MT. That was sufficient to meet the requirement of the power plants of DVC. As regards allocation of Kasta (West) & Kasta (South) coal blocks, M/s DVC did not make any reference in their first application for allocation of Kasta (East) coal block. Their request came much later and during the period since the date of allocation of Kasta (East), no development of coal block was made by DVC. While DVC made satisfactory progress in development of four blocks, the allocatee did not make much progress with regard to Kasta (East).

Since DVC had expressed their inability to develop the Kasta (East) block, the Ministry of Coal, after due examination, de-allocated the said coal block in May, 2009. The de-allocation was without any assurance for allocation of any alternative coal block in lieu of the surrendered coal block. The deallocation was made after following due procedure and taking into account all the facts and circumstances of the case.

There are no policy guidelines available at present for allocation of alternative coal blocks. Further, there are no coal blocks identified and earmarked for allocation. The identification process is underway and as and when the same is finalized, interested applicants, including M/s DVC, can apply for allotment and the applications would be considered on merits."

12. After careful scrutiny of the matter related to de-allocation of Kasta(East) coal blocks by the Ministry of Coal which was earlier

allocated to DVC, the Committee had strongly recommended that the allotment of the coal blocks to the power utilities should be done in a transparent and objective manner. In their action taken reply the Ministry of Coal have stated that since DVC had expressed their inability to develop the Kasta (East) block, the Ministry of Coal, after due examination, de-allocated the said coal block in May, 2009. The de-allocation was without any assurance for allocation of any alternative coal block in lieu of the surrendered coal block. The de-allocation was made after following due procedure and taking into account all the facts and circumstances of the case. Further, they have stated that there are no policy guidelines available at present for allocation of alternative coal blocks.

The Committee are astonished at the callous reply of the Ministry of Coal which instead of examining the feasibility/ implementation of the recommendation of the Committee, have merely stated the routine procedure and resultant position. It seems that the Ministry, instead of stating the specific steps taken as a follow up of the recommendations of the Committee, has just compiled the facts in their action taken reply. The Committee in their Report had desired that if an allotee finds it difficult to develop a coal block, the Ministry of Coal instead of resorting to de-allocation, should play a role of facilitator so that the ways and means could be found for speedy development of the coal block. Mere de-allocation of a coal block is not a solution as there is all

possibility that new allottee may also find it difficult to develop the same. Accordingly, the Committee desired that the Ministry of Coal instead of playing a role of big brother intimidating the power utilities for the reasons for which they are not directly responsible should also share the onus in timely development by examining all the possible solution to remove the impediments in development of coal blocks including the clubbing of other geographically adjacent coal blocks as in case of Kasta (East) coal block allotted to DVC with Kasta (West) and Kasta(South). The Committee, therefore, reiterate their recommendation and would like the Ministry of Coal to formulate a policy wherein it facilitates the allocattee in case it genuinely finds difficult to develop the allotted coal blocks and address the problems instead of taking punitive action by resorting to de-allocate the coal block.

C. IMPORT OF COAL

Recommendation (Sl. No. 7, Para No. 2.7)

13. The Committee had noted that there was perennial gap in demand and supply of coal with the power utilities. On a short term basis this supply deficit can be met only through the import of coal. The deciding factor for supply of domestic coal for the power station is 90% PLF or the actual performance of plant during the last three years if the plants commissioned before March 2009. Deficit of 10% of the demand is already established even before the requirement is placed. During the year 2009-10 CIL was to import 4 MT of coal from overseas with the provision that there might be increase in import by 2011-12 based on the requirements of the utilities.

However, the said import could not take place due to absence of any firm commitment from the power utilities. The Committee found this as a poor co-ordination between the power utilities and CIL. The Committee had been apprised that the CIL was in process of exploring and firming up port and other logistics required for import of coal. They were also ascertaining the demand for import of coal for power sector during 2010-11 to finalize the process of import of coal. The Committee had also been informed that power utilities themselves could make their own arrangement for import of coal against the target fixed by the Ministry of Power. During 2009-10 the power utilities imported 23.1 MT against the target of 28.70MT fixed by the Ministry of Power. The modalities and mechanism for such import of coal are decided by the power utilities. There was also an element of blending of imported coal with the indigenous one upto certain percentage based on the boilers designs of power plants. The Committee, therefore, had strongly recommended that with a view to obviate the gap in the supply of coal to power utilities it has become necessary to plan about the import of coal well in advance to achieve the capacity addition targets as also to run the existing plants optimally. Hence, the plea of no firm commitment from power utilities or the power utilities themselves can import the coal will only add to the problem of coal supply. Coal requirement of thermal power stations are known well in advance, based on that estimation of domestic requirement can be arrived at. Thereby deciding as to what quantity of coal has to be imported for meeting the requirement. The Committee, therefore, desired the Ministry of Power to make mandatory for the power utilities to have advance planning for import of coal either directly by power utilities or through Coal India Ltd. They further desired that this essential import may be included in Memorandum of Understandings (MoUs) signed between the Ministry of Power and central PSUs under its administrative control. Similarly, this aspect should be reviewed by the Ministry/Ministry's representatives on the Board of PSUs in Quarterly review meeting done in respect of PSUs, review of MoUs. Board meetings etc. The Committee also recommended that the

Ministry of coal should also review the working of CIL in regard to its coal imports so as to ensure that proper coordination is ensured with power utilities in regard to assessment of coal imports and their timely imports at competitive prices. The Committee awaited specific action by the Ministry of Power and the Ministry of Coal in this regard.

14. The Ministry of Power in their Action Taken Reply have stated as under:

> "Planning Commission had in July, 2009 set up a Sub-Committee comprising Chairperson, CEA, Chairman, Coal India Limited and Chairman, MMTC to look into the aspects of long term import of coal on sustainable basis. The Committee had, in August 2009 concluded as under:
>
> (i) The shortfall in domestic coal supplies during 2010-11 and 2011-12 based on the projected domestic production is 46 MT and 74 MT respectively. Accordingly, the import requirement for power sector for plants based on indigenous coal works out to be 31 MT and 49 MT respectively. It is recommended that 30 MT imports may be planned on long term basis. Balance requirement of imported coal could be procured on year to year basis through annual contracts.
>
> (ii) 30 MT of coal is required to be imported on long term basis and balance on short-term annual contracts by CIL for Power Sector. To begin with, CIL may import about 20 MT during 2010-11 for a few major generating companies like NTPC. CIL will come out with a paper on their strategy for import of coal for the benefit of the generating companies. After the methodology for long term import is finalized in consultation with the generating companies, CIL will take procurement action for import of coal.
>
> (iii) The ports where the imported coal has to be received will be identified by CIL in consultation with Ministry of Shipping & Transport and Railways keeping in view the proximity to the power stations.

This was brought to the notice of the Power Utilities and other concerned agencies in a meeting held in the Ministry of Power on 27th October, 2009 and was also communicated to Energy/Power Departments of the concerned State Governments in November, 2009, January, 2010 and April, 2010. NTPC, the major importer of coal among the Power Utilities, is contemplating import of coal through various routes comprising the procurement through PSUs, Coal India Limited and also on their own. DVC has also envisaged import of coal during 2010-11 by inviting bids and through Coal India Limited.

Utility-wise target for import of coal by the Power Utilities during 2010-11 aggregating 35 Million Tonne was communicated in January, 2010. The modalities and mechanism for import of coal are decided by the Power Utilities themselves. Under the New Coal Distribution Policy, it is the responsibility of CIL/Coal companies to meet full requirement of coal under Fuel Supply Agreement (FSA) even by resorting to imports, if necessary. NTPC and DVC have already requested CIL to supply 4 MT and 0.8 MT of imported coal respectively during 2010-11. Import of coal is being regularly monitored by Ministry of Power with all the power utilities, Ministry of Coal, Coal India Limited, Ministry of Railways and Department of Shipping.

Import of coal assigned to the Central Power Utilities is reviewed in the meetings in the Ministry of Power and also by the representative of Ministry of Power on the Board of Public Sector Undertakings. CPSUs under the administrative control of Ministry of Power are being advised to include import in the Memorandum of Understanding (MoU)."

15. In their Action Taken Reply the Ministry of Coal have stated as under:

"As per the recommendation of Fuel Infrastructure Committee of Planning Commission, Coal India Limited (CIL) has already taken action for importing coal for power utilities. Since it would not be prudent to maintain stock of imported coal, a decision was taken to import coal only on the basis of firm commitment from power utilities. Accordingly, CEA as well as individual utilities

were approached to ascertain the exact requirement of imports to be made by CIL. On the basis of the indications received so far from utilities, CIL have taken decision to import 6 MT of coal during the current fiscal year. Negotiations are going on with power utilities to accept FOR unload port term for delivery of imported coal. Once the terms of delivery are accepted by the Utilities, CIL will initially import 6 MT of coal on short-term basis and will subsequently going for long-term off-take contracts with overseas mining companies to ensure competitive prices for Indian Utilities."

16. In regard to the recommendation of the Committee to make advance planning mandatory for the power utilities for import of coal either directly by power utilities or through Coal India Ltd., the Ministry of Coal in their action taken report have stated that as per recommendation of Fuel Infrastructure Committee of Planning Commission, Coal India Limited (CIL) has already taken action for importing coal for power utilities. Since it would not be prudent to maintain stock of imported coal, a decision was taken to import coal only on the basis of firm commitment from power utilities.

The Ministry of Power have in their reply stated that National Thermal Power Corporation, the major importer of coal among the Power Utilities, is contemplating import of coal through various routes comprising the procurement through PSUs, CIL and also on their own. Utilities-wise target for import of coal by the Power Utilities during 2010-11 aggregating 35 Million Tonne was communicated in January, 2010. The Modalities and mechanism for import of coal are decided by

the Power Utilities themselves. They have further stated that under the New Coal Distribution Policy, it is the responsibility of CIL/Coal companies to meet full requirement of coal under Fuel Supply Agreement (FSA) even by resorting to imports, if necessary. The Committee finds the reply of Ministry of Power full of ambiguity and contradiction in respect of import of coal as to who will import the required coal and what will be the quantity. On the one hand the Ministry has stated that the Modalities and mechanism for import of coal are decided by the Power Utilities themselves while on the other hand they have reported that the responsibility of import of coal lies with the CIL/Coal companies. The Committee, in their earlier Report, had noted that during the year 2009-10 CIL was to import 4 MT of coal from overseas with the provision that there may be increase in import by 2011-12 based on the requirements of the utilities. However, the said import could not take place due to absence of any firm commitment from the power utilities. Further in respect of recommendation for including the import of coal in the Memorandum of Understanding (MoU) it has been stated that CPSUs under the administrative control of Ministry of Power are being advised to include import in the MoU. The Committee, considering the lack of adequate indigenous coal supply, had concluded that import of coal is the only remedy for avoiding power generation losses. The Committee expected that the Ministry would ensure that all power utilities should have

mandatory advanced planning for their requirement of coal so that the firm order for required quantity of imported coal may be placed and executed in time. Instead of coming up with an unambiguous/clear reply and prompt guidelines/ orders in regard to import of coal, the Ministry of Power vide their reply have foxed the issue. The Committee, therefore, expect the Ministry of Power to apprise them about the concrete steps taken to make it mandatory for power utilities to have advance planning for import of coal and to bring clarity and specify whether the power utilities or Coal India Limited will be responsible for import coal which is required in order to avoid power generation losses.

D. TRANSPORTATION OF COAL BY RAIL

Recommendation (Sl. No. 8, Para No. 2.8)

17. The Committee had noted that lack of timely transportation of coal had been the nagging problem forcing power plants to run below their capacity. On being asked about the steps to ensure availability of sufficient rakes to transport the coal on time, it had been stated that the present coordination with the Ministry of Railways had been satisfactory. Company-wise coal distribution in respect of power stations needs to be reviewed in consultation with the Ministries of Railways, coal, Power and CEA keeping in view the constraints in the existing rail transportation, infrastructure for transportation of desired types of railway rakes commensurate with the coal loading and unloading facilities available at the power stations. It had also been stated that the issue of availability of adequate railways rakes for transportation of

coal to the power stations is also reviewed at the various forums. The Committee had been apprised that in order to supply 333 MT of coal to the power utilities during 2010—11, they had planned an incremental off-take to the tune of 44 MT. In order to achieve this incremental off-take the rail dispatch had been projected at 185 rakes per day against present average loading of 165 rakes per day during 2009-10. Therefore, the additional requirement of 29 rakes per day. Thus, the availability of rail rakes requires growth by 19% to achieve the planned level of off-take against the actual growth of 1% during the 2009-10. The Committee, therefore, had strongly recommended that coordination mechanism must explore some new avenues regarding availability of additional rail rakes to transport the available coal in time. The further desired that the plan of dedicated freight corridor should also be expedited and inter-alia cover the coal belts to facilitate the quick and effective transportation of coal to the power utilities.

18. In their Action Taken Reply the Ministry of Power have stated as under:

> "In the review meetings held in the Ministry of Power, it is impressed on the Power Utilities that the unloading time of railway rakes be reduced so that the turn-around time of railway rakes get reduced and they are also persuaded to make use of lean demand months for railway rakes for building stock of coal from domestic sources as well as import of coal.
>
> Ministry of Railways is being persuaded to expedite the Dedicated Freight Corridor and procurement of additional wagons/rakes commensurate with the increasing demand of the power sector."

19. The Ministry of Railways in their Action Taken Reply have stated as under:

> "Coal loading on Indian Railways is done from various sources like the mines of Coal India Limited, washeries,

captive mines, mines of other coal companies like Singareni Collieries Company Ltd. Goods sheds and imported coal both for power houses and for the other sectors. Transportation capacities on the Indian Railways are uniform for the year and do not fluctuate substantially from one quarter to another quarter. It is thus, necessary that the transportation capacities are utilized optimally for the entire year. Coal dispatched from Coal India Ltd. sources is not only dependent on the Railways but also on other modes like Merry-Go-Round systems, road dispatches etc.

Demand and supply gaps exist due to seasonal fluctuations, operational constraints limitations of terminals, etc. The Indian economy has a peak season from October to March with another peak between January-March. The transportation capacities planned for, are uniform throughout the year. Sudden spurts in peak time demand result in bottlenecks in transportation capacity.

The issue of less loading by Coal India in the first half of the year leading to loss in transportation capacities has been raised at various fora. Accordingly, Chairman, Coal India Ltd. had written vide his letter No. CIL:DLI:CH:20010/2/90-2203 dated 30.3.2010 addressed to Chairman, Railway Board that for meeting their yearly requirement of 185 rakes/day in the year 2010-11, Railways has assured supplying the same provided the band fluctuates between 180-190 rakes per day. In the same letter, Coal India Ltd. proposed to load 190 rakes per day in the first quarter of 2010-11, as against which Coal India Ltd. has barely managed to load approximately 155-160 rakes per day despite adequate availability of rakes. An important issue is increasing, the transportation of coal from pitheads to the railway sidings. Less transportation of coal from pitheads to railway sidings in the first five months of the current fiscal by CIL, has led to lesser dispatch than the desired levels.

At the same time, the import of coal for Thermal Power Sector was planned for a level of 35 million tonnes in 2010-11. It was decided that 60% of the total imports for the thermal power sector would be planned in the first half of the year so that Railway's transportation capacity in the first half of the year was optimally utilized,

and also ensuring higher rake availability for Coal India loading in the second half of the year. As against this, the imports for the thermal power sector upto end of August, 2010 was only 10.171 MT as against the desired level of 17.5 million tonnes, 60% in first five months. Thus, imports for power sector will again get bunched in the second half of the year, thereby leading to lesser availability of rakes for Coal India Ltd.

The Eastern Dedicated Freight Corridor (DFC) being constructed from Dankuni to Ludhiana would cater mainly to the coal traffic from the mines to the power houses. The feeder routes connecting the coal fields to the DFC are being strengthened concurrently with the DFC construction. Feeder routes for port connectivity with the Eastern & Western DFCs for movement of the ported coal are also being developed. Both the Eastern & Western DFCs are targeted for commissioning in 2016-17."

20. On finding that lack of timely transportation of coal has been the nagging problem forcing power plants to run below their capacity, the Committee had strongly recommended that coordination mechanism must explore some new avenues regarding availability of additional rail rakes for timely transportation of coal. In reply, the Ministry of Power have stated that they have impressed on power utilities to reduce unloading time of railway rakes so that the turn-around time of railway rakes get reduced and they are also persuaded to make use of lean demand months for railway rakes for building stock of coal from domestic sources as well as import of coal.

On the other hand, the Ministry of Railways have replied that transportation capacities of the Indian Railways are uniform for the year

and do not fluctuate substantially from one quarter to another quarter. It is thus, necessary that the transportation capacities are utilized optimally for the entire year. Demand and supply gaps exist due to seasonal fluctuations, operational constraints limitations of terminals, etc. The Indian economy has a peak season from October to March with another peak between January-March. The transportation capacities planned for are uniform throughout the year. Sudden spurts in peak time demand result in bottlenecks in transportation capacity. They have also referred to a letter written by the Chairman, Coal India Ltd. to the Chairman, Railway Board proposing to load 190 rakes per day in the first quarter of 2010-11. Against this CIL has barely managed to load approximately 155-160 rakes per day despite adequate availability of rakes. They have further stated it was decided that 60% of the total imports for the thermal power sector would be planned in the first half of the year so that Railway's transportation capacity in the first half of the year was optimally utilized. This would also ensure higher rake availability for CIL loading in the second half of the year. Against this, the imports for the thermal power sector upto end of August, 2010 was only 10.171 MT while the desired level was 17.5 million tonnes, i.e. only 60% in the first five months. Thus, import for the power sector will again be bunched in the second half of the year thereby leading to lesser availability of rakes for CIL.

The Committee is unhappy to know the mis-management, short-sightedness, and lackadaisical approach of CIL in respect of using rail rakes for transportation of coal. The Committee feel that transportation of required coal can be achieved from the present capacity of Railways if rakes are used judiciously and efficiently by CIL and power utilities. The Committee, therefore, is inclined to infer that hue and cry made by CIL in respect of lack of rail rakes to transport coal is nothing but an act of passing the buck. In view of this, the Committee expect that CIL and other concerned should review and revisit their defective mechanism of transportation of coal by using rail rakes and apprise the Committee about the steps taken in this regard. It is imperative that the Railways should also gear up for increasing rail rakes in wake of anticipated increase in future demands of coal resultant of increase in power generation capacity.

E. AVAILABILITY OF GAS FOR POWER SECTOR

Recommendation, (Sl. No. 11 Para No. 2.11)

21. The Committee in their report had noted that Iran-Pakistan-India(IPI) Gas Pipeline Project, India was supposed to receive a 30 mmscmd in Phase-I and 45 mmscmd in Phase-II. Whereas, the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline has the total capacity of supplying 90 mmscmd of gas. Considering the importance of these two pipelines, the Committee in their Report recommended that all out efforts should be made to expedite the matter by resolving the issues involved. The

Committee had further recommended that as the execution of these pipelines was in unclear domain due to international political issues, therefore, the Government should simultaneously focus on strengthening the internal sources of gas and leave no stone unturned in respect of exploring and developing the new indigenous sources of gas. The Committee had strongly recommended that the maximum possible share of existing gas production and the gas that would be available in future should be allotted to the Power Sector.

22. In their Action Taken Reply the Ministry of Petroleum and Natural Gas have stated as under:

> "To settle various issues related to the Gas Sale Purchase Agreement (GSPA), bilateral and multilateral meetings have been held among the four countries and their gas companies participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. Regarding security & safety of the pipeline, suitable provisions have been made in the Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) signed by the Governments of Turkmenistan, Afghanistan, Pakistan and India in December 2010. The discussions relating to the TAPI Project, particularly the Gas Sale Purchase Agreement (GSPA) have reached an advanced stage.
>
> Iran-Pakistan-India (IPI) Gas Pipeline Project has been under discussion with the Governments of Iran and Pakistan 60 mmscmd of gas is proposed to be supplied in Phase-I, to be shared equally between India and Pakistan and 90 mmscmd of gas is envisaged to be supplied in Phase-II. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group, India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level; the last such meeting between India and Pakistan was held in Islamabad on 25.4.2008. Several critical issues, viz., the delivery point of Iranian gas, the project structure, guarantees related to safety of

the pipeline and security of supply, besides pricing of gas are yet to be resolved.

Government has adopted a multi-pronged strategy to enhance availability of natural gas from domestic sources in the country consisting, inter alia, of the following:-

(i) Intensification of domestic Exploration & Production (E&P) activities through New Exploration Licensing Policy (NELP),
(ii) Coal Bed Methane (CBM) E&P activities,
(iii) Development of Gas Hydrates.
(iv) Early completion of Shale Gas reserve mapping and finalizing a regulatory regime for Shale gas exploration and production in the country.
(v) Diversifying the import sources of Liquefied Natural Gas (LNG), and
(vi) Participating in Transnational pipelines, viz., Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline and Iran-Pakistan-India (IPI) pipeline.

The Committee's recommendation to attach high priority to the power sector in the allocation of gas is noted for guidance."

23. While the taking note of the efforts made by the Ministry of Petroleum and Natural Gas with regard to the international arrangements for gas supply, the Committee are of the view that a lot need to be done on domestic front also to optimize the production of gas from available and known sources while laying greater emphasis on identifying and exploring the other avenues for enhanced gas availability. Further, the Committee had also strongly recommended that the maximum possible share of existing gas production and the gas that would be available in future should be allotted to the Power Sector after considering the acute shortage of gas for power sector. In their action taken report the Ministry of Petroleum and Natural Gas

have stated that the Committee's recommendation to attach high priority to the power sector in the allocation of gas is noted for guidance.

Considering the fact that the power sector plays an important role in economic development of the country and plays a vital role in every industry, the Committee would like to re-emphasize that the sector needs top priority in allocation of gas.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl No. 3, Para No. 2.3)

The Committee note that the process of allocation and development of coal blocks is long, cumbersome and fraught with uncertainties. So far, 93 captive coal blocks and 208 coal blocks with approximate reserves of 48.82 billion tones have been allotted to various utilities in power sector. However, the production has commenced in only 5 coal blocks and the production was 30.02 million tones during the year 2008-09 from these coal blocks. This is highly unsatisfactory situation. The Committee understand the problems involved in the development of coal blocks such as forest clearance for exploration, clearance before exploration, problems in land acquisition, forest clearance for coal mining, delay in grant in licensing etc. However, despite these obstacles, the gestation period of 3 to 7 years for reaching the production stage and another 2 to 3 years for reaching the optimum capacity is too high. The Committee have been informed that the allocate of coal blocks who have not started the production so far, are in various stages of obtaining the statutory clearances and mining lease, preparing mining plans, acquisition of land, procuring machinery etc. for both mining as well as end use production. However, no data has been made available to the Committee with regard to specific time schedule as to when these blocks will commence production. The responsibility of developing the coal blocks rest entirely with the allocated company within a specified period, failing which possibility of de-allocation always looms large. In the opinion of the Committee, this is an extremely unilateral approach and tantamount to transferring the yoke. With pre-conditions like forest clearances, land acquisitions, forest clearance before commencement of the exploration etc., it is likely that delay may occur. De-allocation of the coal blocks will make the matter worse. Some penal provisions may be enshrined to expedite the development of coal blocks. Rather, it will be befitted if the Ministry of Coal and the allocated company shoulder responsibility in conjunction. Being the specialist in the field, the Ministry of Coal is in a position to foresee the problems related to the development of the coal blocks and suggest various pre-emptive measures to the allocattee utility. The Committee, therefore, recommend that the Ministry of Coal may first prepare an inventory of coal reserves in the country alongwith the possible problems and their likely solutions with regard to the each coal blocks before taking a decision for their allocation. This will not only help in reducing the gestation period of coal production but will also remove the air of uncertainty about future course of action.

Reply of the Government (Ministry of Power)

In para 2.3 of the Report of the Standing Committee it is stated that 93 captive coal blocks and 208 coal blocks with approximate reserve of 48.82 billion tones have been allocated to various utilities in power sector. However, as per information available on web site of Ministry of Coal and the details furnished in a recent review meeting on Development of coal/ lignite blocks and associated end use plants held by Ministry of Coal with various coal block allottees in New Delhi on 20 – 21 July 2010, 98 coal blocks are allocated for power generation. The status of captive coal blocks allocated for power generation is given below:

98 captive coal blocks allocated for power generation have total Geological Reserves of 31.23 billion tones. Out of these 98 blocks, 10 nos. of blocks having geological reserves of 1074 MT have been allocated for captive power plants. Break up details of balance 88 nos. coal blocks having total geological reserves of about 30 billion tonnes allocated to power utilities including UMPPs are as follows.

Utility	Coal blocks	Geological Reserves (MT)
CPSU	**14**	**7752**
State Utilities	**45**	**14124.56**
UMPPs	**10**	**4520.91**
Private	**19**	**3756.05**
Total	**88**	**30153.52**

The status is briefly given below:

i) 13 (Thirteen) nos. of captive coal blocks are under production with a total production capacity of about 22.15 million tones of coal per year.

ii) Out of remaining 75 blocks, 46 (Forty six) coal blocks are explored blocks and Mining plan approval have been obtained for (33) (thirty three) nos. of coal blocks with estimated coal production of about 245.8 million tones per year. For most of these blocks, developers are in the process of obtaining environment & forest clearance. For remaining 13 (Thirteen) explored blocks, developers are taking action to prepare mining plan.

iii) 27 (Twenty seven) nos. of blocks are unexplored blocks requiring detailed exploration or need studies to establish feasibility of mining. Utilities are taking action to obtain license for prospecting or are in the process of detailed exploration.

iv) One coal block namely Korba (East) has been surrendered by DVC on 15.9.2008 as the same was not commercially viable. For one coal block namely Lohara west and Lohara Extn, ToR has been cancelled by MOEF.

It may be mentioned that fourteen (14) captive coal blocks allocated to central & state PSUs having geological reserves of about 4.2 billion tones and six (6) captive coal blocks allocated for UMPPs having geological reserves of about 2.1 billion tones are falling in the Category 'A' as intimated by MoE&F. The forest clearance to these category 'A' blocks is separately under discussion with MoE&F. Inter-Ministerial Team were constituted to visit the sites of end use projects to ascertain the status of implementation of the projects, the investment already made/ committed etc and the reports on the same are under consideration.

(Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010)

Reply of the Government (Ministry of Coal)

The responsibility of developing the coal block as per the prescribed guidelines and milestone chart attached with the allocation letter rests entirely with the allocattee company. In the terms and conditions of allocation, it is categorically mentioned that in the event of willful delay in the development of coal blocks and in setting up of the end use project, the Govt. will take appropriate action leading to de-allocation of the said block. Government, in line with this, periodically monitors and reviews the development by the allocatee companies. Wherever, delays are noticed, Government issued show cause notices and advisories to such allocatees cautioning them to bring the coal blocks into production as per the guidelines/milestones chart. Similarly, the Coal Controller's office is also monitoring on regular basis the achievement of different milestones.

As per the terms and conditions of allocation letter, for the blocks allocated before 2007, the allocates are required to furnish bank guarantee which is linked to the production performance till the mine reaches its peak rated capacity. In case of blocks allocated after 2007, bank guarantee is linked with development as well as production. Under the first category, 50% bank guarantee is linked with development before the commencement of production and 50% is linked with production performance. In case of blocks allocated after June 2007, the provision of bank guarantee is also applicable for allocates of blocks allocated under Section 3(3)(a)(i) of Coal Mines (Nationalisation) Act, 1973. The Coal Controller's Office has been entrusted with the responsibility of monitoring of the coal block as well as submission of bank guarantee of the allocatee companies. For reviewing and monitoring of bank guarantee submitted vy the coal/lignite block allocates, a Committee has been set up under the Chairmanship of Addl. Secretary (Coal) with Joint Secretary (Coal), Joint Secretary & Financial Adviser,

Adviser (Projects) and Coal Controller as member of the Committee. If the allocatee does not submit the bank guarantee, the allocated block is withdrawn/de-allocated, after following due procedure.

As on date, 26 Coal blocks have come into production. The coal production from these blocks is reported to be 35.51 million tonnes during 2009-10. As regards excess time allegedly given to the block allocatees for development of coal block, it may be noted that there are 16 steps / milestones, which are to be achieved by a block allocatee before the production from the block is started. Recently, it has been observed that the process of land acquisition and Environment/Forest clearance, where State Govt./other Ministries are involved, is taking too long causing abnormal delays in development of the coal blocks.

As regards action taken by this Ministry on delay in development of coal blocks on the part of coal block allocatees, there is a provision of deduction of Bank Guarantee amount from the bank guarantee submitted by the allocattee companies. During the review meeting held on June, 2009, a decision was taken to deduct bank guarantees in respect of 6 coal block allocatees. Hence, the Govt. first explores the option of deducting the BG in case of minor lapses in developing the coal block, whereas in case of willful inordinate delay, the Govt. sometimes resorts to de-allocation of the coal block, so that the same block can be allocated to a more serious player. Recently three coal/lignite blocks have been deallocated by this Ministry.

As regards, preparation of inventory of coal reserves in the country along with the possible problems and their likely solutions, the Ministry of Coal has already entrusted CMPDIL to prepare the inventory of all coal blocks on offer for allocation and also to identify the major constraints for their development. It has also been suggested that before offering any coal block, the Ministry of Environment and Forest may be consulted.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Recommendation (Sl. No.6, Para No. 2.6)

The Committee are happy to note that some efforts are underway to put an institutional mechanism for acquisition of coal mines abroad. The process involves numerous activities which could be time consuming as well. Several safeguards like necessary statutory clearances, effective transport arrangements, smooth carriage of coal, synchronization of imported coal with the needs of local power utilities of the country and economic viability of the entire exercise etc. are necessary pre-requisites

for any venture pertaining to the acquisition of the coal mines abroad. The creation of International Coal Ventures Pvt. Ltd. (ICVL), a conglomeration of SAIL, CIL, NTPC, RINL and NMDC aims at securing metallurgical coal and thermal coal assets from overseas. The Committee have been apprised that the due diligence of the proposal is underway. Besides, NTPC is also currently exploring the possibility of acquiring stakes in Indonesia, South Africa and Mozambique. In order to meet our long term coal requirements for ever-increasing targets of power capacity addition, there efforts, if materialize, will greatly ease the much strained domestic coal supply and will also smoothen the entire process of coal allocation and distribution to the power utilities in the country. Needless to emphasis the urgency in the matter, the issue merit expediting the entire process of acquiring the coal blocks abroad. The Committee, therefore, recommend that the newly formed Joint Venture and other PSUs like NTPC should go whole hog in the hot pursuit of acquiring the much needed coal reserves abroad so as to enable us not to meet our coal requirements for our thermal power generation but also to save our indigenous reserves for the future.

Reply of the Government (Ministry of Power)

NTPC, a Maharatna Company under the administrative control of Ministry of Power is actively pursuing for acquisition of Coal Mines Abroad on its own, as well as through International Coal Ventures Pvt Ltd (ICVL). ICVL is a JV amongst SAIL, CIL, NTPC, RINL and NMDC.

1. Presently, NTPC is carrying out due diligence of two coal assets in Indonesia for which Financial, Technical and Legal consultants have been appointed. NTPC is also exploring new opportunities in Australia, Indonesia, South Africa and Mozambique.

2. ICVL is pursuing opportunities for acquisition of mines for coking coal as well as thermal coal and has participated in four (04) bidding processes in the past. Presently, it is pursuing two opportunities one each in Australia and Indonesia.

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

Reply of the Government (Ministry of Coal)

- International Coal Ventures Pvt. Ltd. (ICVL) is also actively pursuing acquisition of one coal asset in Australia and one coal asset in Indonesia.

- Govt of Mozambique has allotted exploration license for two coal blocks. A-1 and A-2 covering an area of about 224 sq. km in the Moatize district of Tete province to CIL through a bidding process.

Coal India Africana Limitada was registered and incorporated on 04.09.2009 under the Commercial code of Republic of Mozambique and was granted prospecting licence. The company shall take up the business of exploration in order to assess the qualitative and quantitative parameters of the coal asset.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Recommendation (Sl. No. 7, Para No. 2.7)

The Committee note that there is perennial gap in demand and supply of coal with the power utilities. On a short term basis this supply deficit can be met only through the import of coal. The deciding factor for supply of domestic coal for the power station is 90% PLF or the actual performance of plant during the last three years if the plants commissioned before March 2009. Deficit of 10% of the demand is already established even before the requirement is placed. During the year 2009-10 CIL was to import 4 MT of coal from overseas with the provision that there may be increase in import by 2011-12 based on the requirements of the utilities. However, the said import could not take place due to absence of any firm commitment from the power utilities. This is astonishing and reflects poorly on the co-ordination between the power utilities and CIL. The Committee have been apprised that the CIL is now in process of exploring and firming up port and other logistics required for import of coal. They are also ascertaining the demand for import of coal for power sector during 2010-11 to finalize the process of import of coal. The Committee have also been informed that power utilities themselves can make their own arrangement for import of coal against the target fixed by the Ministry of Power. During 2009-10 the power utilities imported 23.1 MT against the target of 28.70 MT fixed by the Ministry of Power. The modalities and mechanism for such import of coal are decided by the power utilities. There is also an element of blending of imported coal with the indigenous one upto certain percentage based on the boilers designs of power plants. The Committee, therefore, strongly recommended that with a view to obviate the gap in the supply of coal to power utilities it has become necessary to plan about the import of coal well in advance to achieve the capacity addition targets as also to run the existing plants optimally. Hence, the plea of no firm commitment from power utilities or the power utilities themselves can import the coal will only add to the problem of coal supply. Coal requirement of thermal power stations are known well in advance, based on that estimation of domestic requirement can be arrived at. Thereby deciding as to what quantity of coal has to be imported for meeting the requirement. The Committee, therefore, would like the Ministry of Power to make mandatory for the power utilities to

have advance planning for import of coal either directly by power utilities or through Coal India Ltd. This essential import may be included in Memorandum of Understandings (MoUs) signed between the Ministry of Power and central PSUs under its administrative control. Similarly, this aspect should be reviewed by the Ministry/Ministry's representatives on the Board of PSUs in Quarterly review meeting done in respect of PSUs, review of MoUs, Board meetings etc. The Ministry of Coal should also review the working of CIL in regard to its coal imports so as to ensure that proper coordination is ensured with power utilities in regard to assessment of coal imports and their timely imports at competitive prices. The Committee would await specific action by the Ministry of Power and the Ministry of Coal in this regard.

Reply of the Government (Ministry of Power)

Planning Commission had in July, 2009 set up a Sub-Committee comprising Chairperson, CEA, Chairman, Coal India Limited and Chairman, MMTC to look into the aspects of long term import of coal on sustainable basis. The Committee had, in August 2009 concluded as under:

(i) The shortfall in domestic coal supplies during 2010-11 and 2011-12 based on the projected domestic production is 46 MT and 74 MT respectively. Accordingly, the import requirement for power sector for plants based on indigenous coal works out to be 31 MT and 49 MT respectively. It is recommended that 30 MT imports may be planned on long term basis. Balance requirement of imported coal could be procured on year to year basis through annual contracts.

(ii) 30 MT of coal is required to be imported on long term basis and balance on short-term annual contracts by CIL for Power Sector. To begin with, CIL may import about 20 MT during 2010-11 for a few major generating companies like NTPC. CIL will come out with a paper on their strategy for import of coal for the benefit of the generating companies. After the methodology for long term import is finalized in consultation with the generating companies, CIL will take procurement action for import of coal.

(iii) The ports where the imported coal has to be received will be identified by CIL in consultation with Ministry of Shipping & Transport and Railways keeping in view the proximity to the power stations.

This was brought to the notice of the Power Utilities and other concerned agencies in a meeting held in the Ministry of Power on 27th October, 2009 and was also communicated to Energy/Power Departments of the concerned State Governments in November, 2009, January, 2010 and April, 2010. NTPC, the major importer of coal among the Power Utilities, is contemplating import of coal through

various routes comprising the procurement through PSUs, Coal India Limited and also on their own. DVC has also envisaged import of coal during 2010-11 by inviting bids and through Coal India Limited.

Utility-wise target for import of coal by the Power Utilities during 2010-11 aggregating 35 Million Tonne was communicated in January, 2010. The modalities and mechanism for import of coal are decided by the Power Utilities themselves. Under the New Coal Distribution Policy, it is the responsibility of CIL/Coal companies to meet full requirement of coal under Fuel Supply Agreement (FSA) even by resorting to imports, if necessary. NTPC and DVC have already requested CIL to supply 4 MT and 0.8 MT of imported coal respectively during 2010-11. Import of coal is being regularly monitored by Ministry of Power with all the power utilities, Ministry of Coal, Coal India Limited, Ministry of Railways and Department of Shipping.

Import of coal assigned to the Central Power Utilities is reviewed in the meetings in the Ministry of Power and also by the representative of Ministry of Power on the Board of Public Sector Undertakings. CPSUs under the administrative control of Ministry of Power are being advised to include import in the Memorandum of Understanding (MoU).

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

Reply of the Government (Ministry of Coal)

As per the recommendation of Fuel Infrastructure Committee of Planning Commission, Coal India Limited (CIL) has already taken action for importing coal for power utilities. Since it would not be prudent to maintain stock of imported coal, a decision was taken to import coal only on the basis of firm commitment from power utilities. Accordingly, CEA as well as individual utilities were approached to ascertain the exact requirement of imports to be made by CIL. On the basis of the indications received so far from utilities, CIL have taken decision to import 6 MT of coal during the current fiscal year. Negotiations are going on with power utilities to accept FOR unload port term for delivery of imported coal. Once the terms of delivery are accepted by the Utilities, CIL will initially import 6 MT of coal on short-term basis and will subsequently going for long-term off-take contracts with overseas mining companies to ensure competitive prices for Indian Utilities.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Comments of the Committee

(Please see Para No.16 of Chapter-I of the Report)

Recommendation (Sl. No.8, Para No.2.8)

The Committee note that lack of timely transportation if coal has been the nagging problem forcing power plants to run below their capacity. On being asked about the steps to ensure availability of sufficient rakes to transport the coal on time, it has been stated that the present coordination with the Ministry of Railways has been satisfactory. Company-wise coal distribution in respect of power stations needs to be reviewed in consultation with the Ministries of Railways, Coal, Power and CEA keeping in view the constraints in the existing rail transportation infrastructure for transportation of desired types of railway rakes commensurate with the coal loading and unloading facilities available at the power stations. It has also been stated that the issue of availability of adequate railways rakes for transportation of coal to the power stations is also reviewed at the various forums. The Committee have been apprised that in order to supply 333 MT of coal to the power utilities during 2010-11, they have planned an incremental off-take to the tune of 44 MT. In order to achieve this incremental off-take the rail dispatch has been projected at 185 rakes per day against present average loading of 165 rakes per day during 2009-10. Therefore, there is additional requirement of 29 rakes per day. Thus, the availability of rail rakes requires growth by 19% to achieve the planned level of off-take against the actual growth of 1% during the 2009-10. The Committee, therefore, strongly recommend that coordination mechanism must explore some new avenues regarding availability of additional rail rakes to transport the available coal in time. The plan of dedicated freight corridor should also be expedited and should *inter-alia* cover the coal belts to facilitate the quick and effective transportation of coal to the power utilities.

Reply of the Government (Ministry of Power)

In the review meetings held in the Ministry of Power, it is impressed on the Power Utilities that the unloading time of railway rakes be reduced so that the turn-around time of railway rakes get reduced and they are also persuaded to make use of lean demand months for railway rakes for building stock of coal from domestic sources as well as import of coal.

Ministry of Railways is being persuaded to expedite the Dedicated Freight Corridor and procurement of additional wagons/rakes commensurate with the increasing demand of the power sector.

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

Reply of the Government (Ministry of Railways)

Coal loading on Indian Railways is done from various sources like the mines of Coal India Limited, washeries, captive mines, mines of other coal companies like Singareni Collieries Company Ltd. Goods sheds and imported coal both for power houses and for the other sectors. Transportation capacities on the Indian Railways are uniform for the year and do not fluctuate substantially from one quarter to another quarter. It is thus, necessary that the transportation capacities are utilized optimally for the entire year. Coal dispatched from Coal India Ltd. sources is not only dependent on the Railways but also on other modes like Merry-Go-Round systems, road dispatches etc.

Demand and supply gaps exist due to seasonal fluctuations, operational constraints limitations of terminals, etc. The Indian economy has a peak season from October to March with another peak between January-March. The transportation capacities planned for, are uniform throughout the year. Sudden spurts in peak time demand result in bottlenecks in transportation capacity.

The issue of less loading by Coal India in the first half of the year leading to loss in transportation capacities has been raised at various fora. Accordingly, Chairman, Coal India Ltd. had written vide his letter No. CIL:DLI:CH:20010/2/90-2203 dated 30.3.2010 addressed to Chairman, Railway Board that for meeting their yearly requirement of 185 rakes/day in the year 2010-11, Railways has assured supplying the same provided the band fluctuates between 180-190 rakes per day. In the same letter, Coal India Ltd. proposed to load 190 rakes per day in the first quarter of 2010-11, as against which Coal India Ltd. has barely managed to load approximately 155-160 rakes per day despite adequate availability of rakes. An important issue is increasing, the transportation of coal from pitheads to the railway sidings. Less transportation of coal from pitheads to railway sidings in the first five months of the current fiscal by CIL, has led to lesser dispatch than the desired levels.

At the same time, the import of coal for Thermal Power Sector was planned for a level of 35 million tonnes in 2010-11. It was decided that 60% of the total imports for the thermal power sector would be planned in the first half of the year so that Railway's transportation capacity in the first half of the year was optimally utilized, and also ensuring higher rake availability for Coal India loading in the second half of the year. As against this, the imports for the thermal power sector upto end of August, 2010 was only 10.171 MT as against the desired level of 17.5 million tonnes, 60% in first five

months. Thus, imports for power sector will again get bunched in the second half of the year, thereby leading to lesser availability of rakes for Coal India Ltd.

The Eastern Dedicated Freight Corridor (DFC) being constructed from Dankuni to Ludhiana would cater mainly to the coal traffic from the mines to the power houses. The feeder routes connecting the coal fields to the DFC are being strengthened concurrently with the DFC construction. Feeder routes for port connectivity with the Eastern & Western DFCs for movement of the ported coal are also being developed. Both the Eastern & Western DFCs are targeted for commissioning in 2016-17.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Comments of the Committee

(Please see Para No.20 of Chapter-I of the Report)

Recommendation (Sl. No. 9, Para No. 2.9)

The Committee note that the supply of gas to the gas based power plants is not keeping pace with the growing demand. Although the supply has improved over the years yet a lot is required to be done to meet the gas requirements of power utilities. The present gas based power generation capacity of about 15000 MW. As against the requirement of about 75 mmscmd, the allotted gas is about 60.42 mmscmd, leaving a gap of about 14 mmscmd. Further, as allotment of 10 mmscmd has also been made to captive power plants on fallback basis. Thus out of total firm allocation of 63.175 mmscmd, allocation of 32.677 mmscmd constituting about 50% of the total allocation has been made to power sector (32.66 mmscmd firm allocation, 12 mmscmd fall back allocation and another 10 mmscmd fall back allocation for captive power plants.) is 54.67 mmscmd out of 93.88 mmscmd. This is about 58% of the total allocation constituting the highest allocation to the power sector. On the other hand, on the security of the data, the Committee find that against the demand of gas for power sector the supply during the year 2007-08, 2008-09 and 2009-10 has been only 58%, 60% and 80% respectively.

The Committee, note that the pre-KG D-6 shortfall of natural gas has been estimated around 95 mmscmd. The present projection regarding KG D-6 production is a maximum level of 80 mmscmd. Hence, the expected production from the KG D-6 can be utilized only in meeting the existing shortfall. The existing gas based power capacity is 15000 MW and 25000 MW additional capacity is proposed to be installed during the 12th Plan. The future demand from various quarters has been estimated to be around 300 mmscmd and this cannot be met from the KG D-6 field. The Committee, therefore, strongly recommends that besides firming up the KG D-6 field. To optimize its

production, sincere efforts should be made for identification of the gas reservoirs in the county/outside the country with a view of harness them for our requirements.

Reply of the Government (Ministry of Petroleum and Natural Gas)

As against the allocation of 32.68 MMSCMD of KG D6 gas to the power sector, the supply has been 24.57 MMSCMD in Oct, 2011. There has been a fall in the production KG D6 due to which the supply to various consumers has had to be reduced. In term of priority, the power sector has been placed after fertilizer and LPG plants, and any gas allocations under NELP are being made accordingly. Recently, Ministry of Petroleum & Natural gas (MoPNG) has allocated 7.235 MMSCMD of Non-APM gas produced from new fields of nominated blocks of ONGC. Of this, MoPNG has allocated 4.214 MMSCMD to various power plants. As the domestic demand is far exceeding supply in India and there are few new domestic sources available, additional demand will have to be catered either through imported LNG in the future or gas imports through pipeline. As on date, LNG re-gasification capacity in the country is around 50 MMSCMD and is likely to grow to 184 MMSCMD by 2016-17

The Government has adopted a multi-pronged strategy to enhance availability of natural gas in the country, consisting, inter alia, of the following:-

(vii) Intensification of domestic Exploration & Production (E&P) activities through New Exploration Licensing Policy (NELP) rounds,
(viii) Coal Bed Methane (CBM) E&P activities,
(ix) Gas Hydrates,
(x) Diversifying the import sources of Liquefied Natural Gas(LNG),and
(xi) Participating in Transnational pipelines, viz., Turkmenistan - Afghanistan-Pakistan-India (TAPI) pipeline and Iran-Pakistan-India (IPI) pipeline.
(xii) Acquisition of gas assets abroad.

[Ministry of Petroleum and Natural Gas OM
No. L-15016/10/09-GP Dated January, 2012]

Recommendation (Sl. No. 10, Para No. 2.10)

The Committee note that even though power sector utilities are going for captive mines, direct import of coal, acquisition of coal assets abroad, there appears no efforts to make participation in petroleum/gas sector. It would be great help to power utilities to have participation in Joint Venture engaged in exploration and production of gas in the country and abroad. This would help the power sector in ensuring assured and enhanced gas supply to run their power plants at optimal level.

Reply of the Government (Ministry of Power)

NTPC which is a Central PSU has ventured into upstream oil & gas exploration in 2005 with intent for achieving fuel security. It partnered with M/s Geopetrol International Inc. (French Company) & M/s Canoro Resources Ltd.(Canadian Company) and won an Exploration Block in Arunachal Pradesh under Government of India, New Exploration & Licensing Policy(NELP) round V. Geopetrol was the Operator & NTPC had 40% stake in the block.

NTPC has been regularly participating in domestic NELP rounds & has recently won four blocks in the last NELP-VIII round. While in one of the block, NTPC is itself an operator with 100% Participating Interest (PI), the other three blocks are in partnership with ONGC, where ONGC is the Operator. In KG-OSN-2009/1 Block ONGC, NTPC and APGIC are the partners. In KG-OSN-2009/4 Block, ONGC, NTPC, APGIC and Oil India Limited are the partners, and in Block AN-DWN-2009/13, ONGC Ltd., NTPC, GAIL and GSPC Ltd. are the consortium partners. The details of the blocks are as under:

S. N.	Block Name	Sedimentary Basin	Consortium partners	NTPC's PI	Operator
1	CB-ONN-2009/5	Cambay (Onland)	NTPC	100%	NTPC
2	KG-OSN-2009/1	Krishna-Godavari (Shallow water)	ONGC Ltd. NTPC APGIC*	10%	ONGC
3	KG-OSN-2009/4	Krishna-Godavari (Shallow water)	ONGC Ltd. NTPC APGIC Oil India Ltd.	10%	ONGC
4	AN-DWN-2009/13	Andaman (Deepwater)	ONGC Ltd. NTPC GAIL GSPC Ltd.	10%	ONGC

APGIC*-Andhra Pradesh Gas Infrastructure corporation Pvt. Limited

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

CHAPTER III

OBSERVATION/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY.

Recommendation (Sl. No. 1, Para No. 2.1)

The Committee note that there has been anticipated generation of 525 billion unit from thermal based power stations during the year 2009-10. To meet this generation and build stock upto reasonable level, coal requirement for the year worked out to be 404 MT. Against this requirement, total indigenous coal availability has been estimated to be 363 MT leaving the gap of 41 MT. Similarly, for the year 2010-11, the requirement of coal is 444 MT and total availability of indigenous coal is 388 MT leaving a shortfall of 56 MT. For the 2011-12, coal requirement has been estimated to be 532 MT against the availability of 414 MT. After the introduction of New Coal Distribution Policy, coal supply to all consumers including power sector are covered under Fuel Supply Agreement (FSA). The Committee note that while planning and forecasting the requirement of coal for the power stations, the calculation is done on the normative requirement which is 90% of the plant load factor of that power station. For power stations commissioned by 31st March, 2009, coal requirement was estimated on the basis of actual performance of the power stations commissioned after 1st April, 2009, Annual Contracted Quantity (ACQ) is yet to be decided. The Committee also note from the list furnished by the Ministry of Power that there are various thermal power stations where ACQ under FSA was less than the normative requirement of the coal. Coal supply position for the plants commissioned after 1st April, 2009 and for the new power plants which are likely to be commissioned in 2010-11, 2011-12 and beyond is likely to aggravate further in view of the substantial addition in the coal based power capacity. In respect of power plants commissioned after 31st March, 2009, the arrangement between CIL and CEA for supply of coal has not fully been materialized so far as the allocation being made by the CEA for the new power plants is over and above the incremental availability being offered by CIL for the year 2010-11. Total demand of coal in the country in the terminal year of the 11th Plan viz. 2011-12 is 713.24 MT, whereas the indigenous availability is envisaged at 591.78 MT. Out of this CIL contribution is 486.50 MT only leaving huge deficit of 121.46 MT. Taking into consideration the availability constraints, CIL took conscious decision to make available only 50% of the normative requirement of any consumer including power stations in future. The term of FSA for new consumers including power stations has also been reduced to 5 years from 20 years. The Committee infer that the coal demand and supply scenario in future is extremely gloomy. Bulk of the capacity addition depends on thermal power. To bridge the gap some emergent steps are required in the short term and a detailed strategy for smooth coal supply to meet our requirement in future is need of the hour. The Committee, therefore, strongly

recommend that there should be a uniform criteria for ACQ for the power plants irrespective of their date of commissioning. Besides, for immediate resolution of the problem import of the required quantity of coal should be immediately tied up. As a long term measure, avenues should be explored wherein the indigenous coal production can be augmented, gestation period in the development of coal blocks is brought down, new coal mines areas are identified, latest technology is used to increase production-minimize expenses and acquisition of the coal mines abroad are done to achieve our energy targets.

Reply of the Government (Ministry of Power)

Keeping in view the anticipated requirement of coal and its availability from indigenous sources Power Utilities have been advised to import coal on a year to year basis. In view of import of coal becoming imperative, Power Utilities, as a long term strategy, have been advised to enter into long term contract for import of coal with part of the requirement on fixed price and the balance on variable price.

In view of limited availability of 306 Million Tonne coal committed by Coal India Limited in the year 2009-10 for Thermal Power Stations/Units commissioned upto 31st March, 2009, Annual Contracted Quantity (ACQ) for these power stations/units has been fixed on the basis of their performance during the last three years. For the new units which have been commissioned w..e.f. 1st April, 2009, a uniform criteria for ACQ has been adopted wherein the ACQ is kept equal to long-term linkage granted by the Ministry of Coal or the quantity specified in the Letter of Assurance issued by the Coal company.

In view of limited availability of indigenous coal, power utilities have been advised to import coal to bridge the gap between demand and availability of indigenous coal. For the year 2010-11, against an import target of 35 MT, Power Utilities have imported 11.4 MT of coal till 30th September, 2010.

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

Reply of the Government (Ministry of Coal)

That indigenous availability of coal is less than the demand, is a reality. Therefore, the up-coming power units would not be getting their full requirement of coal from indigenous sources. Considering the widening gap between demand of power utilities and indigenous availability of coal, Coal India Limited (CIL) and Central Electricity Authority (CEA) agreed that in each year, CIL would indicate the incremental availability of coal for power utilities out of the total production plan of CIL. CEA would allocate the annual contracted quantity for each of the power stations commissioned in the previous year for signing Fuel Supply Agreement and the residual quantity would

be allocated for power stations to be commissioned in the year for meeting their 'part of the year' requirement. This arrangement would ensure uniform conditions in FSA between existing and up-coming power stations. Alternatively, up-coming power stations may sign FSA on the basis of the Model available for new units, wherein CIL takes the responsibility of indigenous supply up to 50% of the normative requirement instead of 90% for existing units, drawing coal as on 31.3.2009 with the tenure of the FSA also being shortened from 20 years to 5 years.

Power utilities account for about 73% of the dispatch from CIL sources. However, considering the emerging demand, CIL during the current year offered 335 Million Tonnes (MT) of coal for utilities, 22 MT more than the Annual Plan target of 313 MT in 2009-10. The incremental production during the current year being envisaged at 25.5 MT, CIL offered more than 86% of it to power utilities. Besides, CIL has also offered 15 MT of coal on 'best effort' basis from the pithead stock for utilities subject to availability of requisite logistics infrastructure.

To meet the enhanced demand of coal in near future, CIL has taken/proposed to take following action for augmentation of coal production by exploring avenues in its command areas :

* Phasing out of manual loading by inducting intermediate mechanization.
* Introduction of mass production technology with continuous miners & shuttle car combination, SDL/LHD with high speed mechanized drilling etc.
* Some of the underground coal mines/ blocks have been identified for development, construction and operation at high capacity with state-of the art technology.
* A few abandoned/ derelict undergrounds mines not being worked for reasons of safety and economy, have also been identified for salvaging, rehabilitation and operation.
* Up gradation to high capacity equipment matching with bench height and stripping ratio.

In addition to the above, CIL has taken the following action towards capacity addition by starting of new projects and acquisition of coal blocks abroad :

- CIL has identified 142 projects during XI Plan period, whose ultimate capacity will be 380.22 MT. Out of 142 identified projects, 77 projects have been approved so far, and the expected contribution from these new projects is 118.95 MT. in the terminal year of XI Plan (2011-12).

- Plans are afoot for CIL to acquire coal resources abroad through Equity Stake in working or green field projects. It floated a global EOI for selection of

strategic partners for overseas operations. A Panel of Investment Bankers has been formed to scout for acquisition opportunities abroad and assist in due diligence/transaction. CIL holds 28.57% equity in the SPV "International Coal Ventures Limited" formed is a Joint Venture with a consortium of PSUs – SAIL, RINL, NMDC & NTPC.

Singareni Collieries Company Limited (SCCL) has been supplying coal to the following power stations and the details of ACQ are as under:

APGENCO: SCCL has been supplying coal to the following power plants of APGENCO

(Figs in LTPA)

Name of power plant	Linkage	ACQ
KTPS	51.3	59.00
Muddanur Stage-I	15.00	18.00
Muddanur Stage-II	20.80	20.80
RDM-B	3.1	3.00
Total	**90.20**	**100.80**
Kakatiya TPP	**21.60**	**21.60**

The ACQ was fixed based on the historical supplies.

KPCL: Following are the Linkage & ACQ of KPCL

(Figs in LTPA)

Name of power plant	Linkage	ACQ
KPCL	30.10	30.10

The ACQ was fixed based on the linkage quantity.

MAHAGENCO: Following are the Linkage & ACQ of MAHAGENCO

(Figs in LTPA)

Name of power plant	Linkage	ACQ
MAHAGENCO	22.60	22.60

The ACQ was fixed based on the linkage quantity.

NTPC: Following are the Linkage & ACQ of NTPC

(Figs in LTPA)

Name of power plant	Linkage	ACQ
NTPC, Ramagundam	102.00	102.00

The ACQ was fixed based on the linkage quantity.

Efforts of SCCL to augment production:

To sustain the present level of production and to cater to future needs, SCCL has been planning and implementing new projects.

- Two high capacity (plus 2.0 MTPA) Long Wall projects are under construction.
- Two Continuous Miners are working to liquidate the standing pillars in SCCL mines. SCCL has plans to introduce a good number of Continuous Miners in its underground mines to enhance production potential. Based on the success of these projects, SCCL has plans to replicate the same in future projects.
- 100 tonne capacity Dumpers and 12 cu.m Shovels are introduced in opencast mines in SCCL, to augment the production potential and overburden removal.

With a view to sustain the present rate of production and to grow further, SCCL has been requesting Govt. of India to allocate the following coal blocks outside the State of Andhra Pradesh.

1. Kundanali-lohori Talcher, Orissa
2. Burapahar Ib valley, Orissa
3. Bandha Singrauli, UP
4. Gand Bahera Ujheni Singrauli, UP
5. Barapalli-Kamitikra Mand Raigarh, MP
6. Phutamera Mand Raigarh, M.P.

The non-availability of suitable blocks for opencast mines is likely to impact the growth plans of SCCL. This would further increase the demand-supply gap in Southern India.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

CHAPTER IV

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH THE REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION:

Recommendation (Sl. No. 2, Para No. : 2.2)

The Committee note that there are coal stocking norms for power stations of different categories based on their distance from the coal mines. It is 15 days for pit head power stations, 20 days for stations located upto 500 km, 25 days upto 500-1000 km and 30 days for beyond 1000 km. The stocking norms are aimed to achieve optimal power generation, if properly adhered to. However, the Committee's examination has revealed that these norms are not being followed in most of the cases. Many of the plants have been categorized as critical as they have coal stocks less than 7 days. As on 13.05.2010 as many as 6 plants were in super critical category having stock of less than 4 days. Slight negligence from any of the involved agencies that supply coal to power stations would result in shut down of the plants for the want of coal. Although the Ministry of Coal take stock of the situation regarding supply of coal to power stations on monthly basis yet various power stations are not having coal stocks as per specified norms. The reasons for this situation have been attributed to non-availability of proper and sufficient rail rakes, pilferage during the transportation, constraints in existing rail transportation infrastructure, old/outdated loading and unloading facilities etc. The basic infrastructural facilities at mines, loading, safe/proper and timely transportation need to be periodically reviewed to ensure the availability of coal to power stations as per the norms. The Committee, therefore, strongly recommends that necessary steps should be taken to augment the base work to ensure the assured coal supply to power stations as per the norms.

Reply of the Government (Ministry of Power)

With a view to have assured coal supply to power stations, coal requirement for generation of power as well as building up stock to a reasonable level has been taken into consideration, while estimating the coal requirement for the Power Utilities.

Following steps have been taken to augment supply of coal to thermal power stations in the country:

Power utilities have been advised to import coal to bridge the gap between demand and its availability from domestic sources. Import of coal by power utilities is being monitored on regular basis by Ministry of Power/Central Electricity Authority.

Coal stock at the power stations as well as availability of adequate railway rakes for transportation of coal to power stations are reviewed in the meetings at various forums including the Inter-Ministerial Sub-Group, inter-ministerial meetings, Infrastructure Constraints Review Group in the Cabinet Secretariat and Fuel Infrastructure Committee in the Planning Commission for taking appropriate steps.

Coal India Limited is in the process of deploying mobile crushers. Thermal Power Stations are also augmenting and expanding unloading facilities, wherever required. Theft of coal en-route to the power stations is taken up with the concerned State Governments as well as Home Ministry. Expediting contracts for transportation of coal by road from the mine head to railway sidings and owning road transportation fleet by the coal companies are under consideration of the coal companies of CIL.

Ministry of Coal/CIL has been requested to enhance the supply of coal to the power sector to avoid generation loss due to shortage of coal.

[Ministry of Power O.M. No.13/7/2010-TH.II, dated: 09.12.2010]

Reply of the Government (Ministry of Coal)

In order to monitor the coal stock at power stations, a monitoring mechanism is already put in place in the Ministry of Coal. An inter-ministerial Sub-group of the Infrastructure Review Committee of Cabinet Secretariat, under the Chairmanship of Joint Secretary, Ministry of Coal reviews the coal stock available at power stations and take contingency decisions in association with Central Electricity Authority and Railways for priority movement of coal to those power stations, where generation could suffer for want of coal.

Following are the coal supplies to the power plants served by SCCL for the year 2010-11.

Name of power plant	Linkage (LT)	Annual contract quantity (LT)	Supplies from 1.4.10 to 27.9.10 (LT)	Stock position as on 26.9.10 (LT)	No. of days stocks
KTPS	51.3	59.00	48.97	3.81	20
Muddanur Stage-I & II	35.80	38.80	12.55	2.59	26
RDM-B	3.1	3.00	1.45	0.12	12
TOTAL APGENCO	90.20	100.80	62.97	-	-
Kakatiya TPP	21.60	21.60	4.48	3.30	-
KPCL	30.10	30.10	7.07*	3.67	26
MAHAGENCO	22.60	22.60	8.85	1.07	8
NTPC	102.00	102.00	51.30	1.29	3

From the above it can be inferred that power houses linked to SCCL are supplied coal as per linkage and are having sufficient stocks.

*The shortage in supplies to KPCL is only due to non-drawal of coal supplies by KPCL itself.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Comments of the Committee

(Please see Para No.9 of Chapter-I of the Report)

Recommendation (Sl. No. 2.4, Para No. 2.4)

It appears to the Committee that the process of allotment of coal blocks is too officious, mechanical and unimaginative. As of now it appears that coal blocks are allocated without analyzing their usefulness to the allotee utilities. Instead of looking at the issue in its entirety to take the process to logical ends i.e. the allotted block become useful to the allocattee by meeting their requirement and expectations as well, a short sighted view with limited role and responsibility appears to be the hallmark in this regard. The matter does not end with the routine mechanical process of allotting a coal block and appending certain pre-conditions to develop it within a specified time period. The Ministry of Coal should also be responsible enough to become a facilitator to remove the bottlenecks in the development of the coal blocks rather than playing a role of big brother intimidating the power utilities for the reasons for which they are not directly responsible. The allotment and the subsequent de-allotment of the Kasta (East)coal block to the DVC is glaring illustration of the manner in which the system is working there. Instead of finding a solution as to how the Kasta coal block can become economically viable for DVC, the blatant de-allocation speak of the arrogance and displays the tendency of shedding its own responsibility. Had the two adjutant blocks viz. Kasta(west) and Kasta(south) been clubbed with Kasta (east) block, it might have resulted in fruitful exercise solving the problem of DVC, expediting and enhancing the coal production. The Plea that the other two blocks are not identified and are not in the list of blocks for the allocation does not hold good as the DVC might have been reasonably assured of their allotment after the identification of the blocks. There is lack of vision, will and determination on the part of the Ministry of Coal to

resolve the issue to the satisfaction of the utilities. This kind of approach is bound to complicate the entire process. The Committee, therefore, strongly recommend that the allotment of the coal blocks to the power utilities should be done in a transparent and objective manner. The requirement of the power utilities should be met from the geographically adjutant blocks to facilitate the smooth excavation and carriage of the coal and to minimize the related storage / transportation costs involved therein.

Reply of the Government (Ministry of Coal)

Allocation of coal blocks for captive end use through the Screening Committee route is done by an Inter-Ministerial and Inter-Governmental Group called the Screening Committee. The recommendations made by the Screening Committee for allocation of coal blocks are based on the views of the concerned State Governments, administrative nodal Ministries and CMPDIL. A copy of the guidelines and procedure for allocation of coal blocks is already available in the public domain on the Website of Ministry of Coal. All the details of the coal blocks which are advertised for allocation are also posted on the Website of Ministry of Coal. All the applicants before applying are aware of the details and the procedure followed for allocation of coal blocks. The system therefore, is, adequately transparent. A copy of the guidelines is enclosed at Annexure.

Further, to bring in greater transparency in allocation of coal blocks, the Govt. had introduced the Mines & Minerals (D&R) Amendment Bill to enable auctioning of coal &lignite blocks through competitive bidding process. The said bill has since been passed by both Houses of the Parliament in the Monsoon Session of Parliament, 2010 and has been notified in the Gazette on 9th September, 2010. The Govt. has set up a Committee to frame rules and guidelines for initiating competitive bidding.

M/s Damodar Valley Corporation (DVC) was allocated five coal blocks including Kasta (East) coal blocks with combined geological reserves of 986.64 MT. That was sufficient to meet the requirement of the power plants of DVC. As regards allocation of Kasta (West) & Kasta (South) coal blocks, M/s DVC did not make any reference in their first application for allocation of Kasta (East) coal block. Their request came much later and during the period since the date of allocation of Kasta (East), no development of coal block was made by DVC. While DVC made satisfactory progress in development of four blocks, the allocatee did not make much progress with regard to Kasta (East).

Since DVC had expressed their inability to develop the Kasta (East) block, the Ministry of Coal, after due examination, de-allocated the said coal block in May, 2009. The de-allocation was without any assurance for allocation of any alternative coal

block in lieu of the surrendered coal block. The deallocation was made after following due procedure and taking into account all the facts and circumstances of the case.

There are no policy guidelines available at present for allocation of alternative coal blocks. Further, there are no coal blocks identified and earmarked for allocation. The identification process is underway and as and when the same is finalized, interested applicants, including M/s DVC, can apply for allotment and the applications would be considered on merits.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Comments of the Committee

(Please see Para No.12 of Chapter-I of the Report)

Recommendation (Sl. No.11, Para No. 2.11)

The Committee note that efforts are afoot for transnational gas projects yet given the geo-political realities, their becoming a reality in near future is highly unlikely. In respect of Iran-Pakistan-India (IPI) Gas Pipeline Project, India was supposed to receive a 30 mmscmd in Phase-I and 45 mmscmd in Phase-II. Whereas, the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline has the total capacity of supplying 90 mmscmd of gas. These two gas pipelines projects, if materialize, would greatly ease our gas requirement. However, the scrutiny by the Committee reveals that there has been inordinate delay in the finalization of both the pipeline projects on the ground of security and tariff issues. All out efforts should be made to expedite the matter by resolving the issues involved. The Committee further recommend that as the execution of the above pipeline are in unclear domain due to international political issues, therefore, the Government should simultaneously focus on strengthening the internal sources of gas and leave no stone unturned in respect of exploring and developing the new indigenous sources of gas. Needless to emphasis the importance that the Power Sector hold for the development of the country, the Committee strongly recommend that the maximum possible share of existing gas production and the gas that would be available in future should be allotted to the Power Sector.

Reply of the Government (Ministry of Petroleum and Natural Gas)

To settle various issues related to the Gas Sale Purchase Agreement (GSPA), bilateral and multilateral meetings have been held among the four countries and their gas companies participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI)

pipeline project. Regarding security & safety of the pipeline, suitable provisions have been made in the Inter-Governmental Agreement (IGA) and Gas Pipeline Framework Agreement (GPFA) signed by the Governments of Turkmenistan, Afghanistan, Pakistan and India in December 2010. The discussions relating to the TAPI Project, particularly the Gas Sale Purchase Agreement (GSPA) have reached an advanced stage.

Iran-Pakistan-India (IPI) Gas Pipeline Project has been under discussion with the Governments of Iran and Pakistan 60 mmscmd of gas is proposed to be supplied in Phase-I, to be shared equally between India and Pakistan and 90 mmscmd of gas is envisaged to be supplied in Phase-II. Several rounds of discussions have taken place, involving the India-Pakistan-Iran Joint Working Group, India-Pakistan JWG and the India-Iran Special JWG. The matter has also been discussed at the Ministerial level; the last such meeting between India and Pakistan was held in Islamabad on 25.4.2008. Several critical issues, viz., the delivery point of Iranian gas, the project structure, guarantees related to safety of the pipeline and security of supply, besides pricing of gas are yet to be resolved.

Government has adopted a multi-pronged strategy to enhance availability of natural gas from domestic sources in the country consisting, inter alia, of the following:-

(i) Intensification of domestic Exploration & Production (E&P) activities through New Exploration Licensing Policy (NELP),
(ii) Coal Bed Methane (CBM) E&P activities,
(iii) Development of Gas Hydrates.
(iv) Early completion of Shale Gas reserve mapping and finalizing a regulatory regime for Shale gas exploration and production in the country.
(v) Diversifying the import sources of Liquefied Natural Gas (LNG), and
(vi) Participating in Transnational pipelines, viz., Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline and Iran-Pakistan-India (IPI) pipeline.

The Committee's recommendation to attach high priority to the power sector in the allocation of gas is noted for guidance.

[Ministry of Petroleum & Natural Gas OM No. L-15016/10/09-GP dated January 30, 2012]

Comments of the Committee

(Please see Para No.23 of Chapter-I of the Report)

CHAPTER V

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH THE FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED:

Recommendation (Sl. No. 5 Para No. 2.5)

The Committee note that the environmental clearance is a statutory obligation without which no activity with regard to the development of coalmines and mining of coal can take off. As many as 89 coal projects are awaiting clearances from the Ministry of Environment & Forest. This has adversely affected the planned enhanced coal production. The Committee have been informed that a period of about three years is taken to give any clearance by MOEF. On being asked by the Committee about the reasons for such a long time, the MOEF submitted that Environmental Clearance is a three stage process involving.

(i) Terms of reference for preparation of Environmental Impact Assessment , Study – Environmental Management Plan,
(ii) Conduct of public hearing and
(iii) Preparation of Environmental Impact Assessment Report-Environmental Management Plan for the projects.

Thereafter, Expert Appraisal Committee initiates the process as per the laid down procedures. It has also been informed that a time limit of 105 days has been prescribed in Environmental Impact Assessment (EIA) notification for the grant of Environment Clearance (EC). However, the main cause for delay as stated by MOEF is the submission of proposal for TOR/EC without completion of exploration of coal blocks. The exercise of exploration is undertaken to ascertain the extent of mineable coal reserves. This is the pre-conditions before submitting the proposal for EC. The Ministry of Coal often allocate coal blocks without completion of exploration process. Mining plans are also approved with partial or incomplete exploration. Resultantly, project proponents are submitting proposals for EC for such coal blocks for which EIA reports are prepared even without the specific assessment of coal reserves to be mined. Since the impact on environment cannot be assessed unless the mining of the coal blocks is undertaken; this is a very major lacuna in the EC process. Coal blocks are also being allocated in new virgin areas of coalfields with a large number of reserve/protected forests. To meet the situation MOEF is in the process of identifying 'Go' and 'No Go' areas in all major coalfields of the country where blocks have been allocated by overlaying forest map on coal atlas map. The Committee find that the problem of environmental clearance has been created by the Ministry of Coal. Even

the decisions taken at a joint meeting with the officials of the Ministry of Coal, MOEF, CIL and other subsidiaries of CIL are not being adhered to by CIL and its subsidiary companies and other utilities by the frequent up-gradation of projects. The submission of proposals, without exploration frequent up-gradation of projects, poor functioning of the technical wings of the coal companies to address he environmental issues properly etc. appear to be more cogent reasons for face off between the two Ministries. The reasons like (i) delay in acquisition of land (ii) adverse geo-mining condition (iii) delay due to law and order problems are also very important factors in the overall delay in the development of coal mines. Therefore, the holistic view should be taken to identify all activities responsible for delay and suggesting appropriate efficacious remedial measures. Environmental reservations are equally sacrosanct and cannot be allowed to be violated for maximizing the productions blindly. The Committee, therefore, would like the coal companies and other block allocattee companies to complete all processes in a time bound manner before approaching the Ministry of Environment and Forest. The MOEF should also expedite process of granting clearance so as to achieve the given time frame in all cases. The Committee, therefore, recommend that with a view to avoid delay in grant of EC, some independent mechanism should be put in place to examine and certify that proposals of the Ministry of Coal conform to all statutory requirements for Environment Clearance. This will also help in clearing the air of suspicion, uncertainty and blame game between the two Ministries of the Government. The proposal for EC should be sent only after the approval by such independent agency. The base date for computing the period for EC should be the date when it is received in MOEF from such designated agency. Thereafter, the EC must be accorded within a specified time frame failing which MOEF should be held accountable for the delay.

Reply of the Government (Ministry of Coal)

- The three stage process of obtaining Environmental clearance (EC) is being followed by Coal India Limited (CIL) and its subsidiaries.
- CIL and its subsidiary companies prepare application for EC and Environmental Impact Assessment (EIA) reports on the basis of approvd projects reports/ Feasibility reports that are based on detailed geological exploration report and mine plans. Hence, the cause mentioned for delay "Submission of proposal for ToR/EC" without completion of exploration of coal blocks is not applicable.

- At present all EIA / EMP reports are prepared on the basis of normative and peak production capacity of projects to avoid frequent up gradation. In some cases, due to sudden increased demand, incremental capacity of projects are being created so that project proponents can obtain EC for the higher capacity.
- At present the major causes of pending clearances are :

> Delay in Public hearing

> Delay in consideration of projects falling under Critically Polluted Area.

> Delay in consideration of projects falling under Wild life Reserve Corridor and Buffer Zone of Reserve Forests.

In addition, some of the projects are also being awaiting final EC.

- Over the years, CMPDI has acquired experience and expertise in many sphere of Environmental Management including preparation of EIA/EMPs. Till date CMPDI has prepared more than 500 EIA/EMPs, out of which about 322 nos. obtained Environmental Clearance (EC) from Ministry of Environment and Forests (MoEF). CMPDI has also made EIA/EMPs of other than CIL projects which have also received EC from MoEF. As per the instruction of MoEF, CMPDI has submitted an accreditation application as EIA/EMP consultant to Quality Council of India (QCI). CMPDI has also Environmental Lab with State- of-the- Art technology and is recognized by Central Pollution Control Board (CPCB), New Delhi.

From the above, it can be seen that CMPDI has the requisite experience and expertise and is equipped with qualified technical manpower and infrastructure. Hence the need of independent mechanism to examine and certify the proposals of EIA/EMPs submitted by CMPDI is not felt at this point of time. However, an independent agency could be considered as needed, but only after ensuring that the same does not become an added cause of delay.

Singareni Collieries Company Ltd. (SCCL)

No coal mining projects of Singareni Collieries Company Limited (SCCL) are pending at MoEF for grant of Environment Clearance. However, the following action are being taken by SCCL for early grant of Environmental Clearances by MoEF:

1. Application for grant of Terms of References (ToRs) are being submitted to MoEF with conceptual reports after detailed exploration of coal mining blocks and finalization of Draft Mining Plan.
2. Generation of Base line data (BLD) is planned in advance for the projects for early preparation of EIA/EMP reports after obtaining ToR from MoEF. Collection of secondary data for EIA/EMP preparation is also being undertaken simultaneously during generation of BLD.

3. Pre-requisite information like Mining plan approval, Ground water clearance, Flora and fauna certificate from DFO, Forest Clearance status etc. is being furnished to MoEF with the application for Environmental Clearance.
4. The projects are planned "for peak production capacities" in order to avoid the "revised clearances under expansion programme".

Since, SCCL is submitting final EIA/EMPs with complete information including other pre-requisite clearances; the Environment Clearances are being obtained from MoEF in a stipulated time frame.

[Ministry of Coal OM No.L-54012/4/2009-CPD dated 6th December, 2010]

Reply of the Government (Ministry of Environment and Forest)

Reply in respect of Ministry of Environment and Forest is awaited

New Delhi;
1st May, 2012,
Vaisakha 11, 1934 (Saka)

MULAYAM SINGH YADAV
Chairman,
Standing Committee on Energy.

APPENDIX - I

STANDING COMMITEEE ON ENERGY

MINUTES OF THE NINETH SITTING OF THE STANDING COMMITTEE ON ENERGY (2011-12) HELD ON 25TH APRIL, 2012 IN COMMITTEE ROOM 'C' PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1500 hrs. to 1530 hrs.

PRESENT

Shri Motilal Vora - in the Chair

2. Dr. Baliram
3. Shri P.C. Chacko
4. Shri Adhir Ranjan Chowdhury
5. Shri Baliram Jadhav
6. Shri C. Rajendran
7. Shri Baju Ban Riyan

RAJYA SABHA

8. Shri V.P. Singh Badnore
9. Shri Shyamal Chakraborty
10. Shri Rama Chandra Khuntia
11. Shri Bhagat Singh Koshyari
12. Shri Jesudasu Seelam

SECRETARIAT

1.	Shri Brahm Dutt	-	Joint Secretary
2.	Smt. Abha Singh Yaduvanshi	-	Director
2.	Shri N.K.Pandey	-	Additional Director
4.	Shri Rajesh Ranjan Kumar	-	Additional Director

2. In the absence of the Chairman, the Committee chose Shri Motilal Vora, a Member of the Committee to act as Chairman for the sitting in accordance with Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha

3. At the outset the Chairman welcomed the Members to the sitting of the Committee, and apprised the Committee about day's agenda.

4. The Committee then took up for consideration three Draft Reports *viz*;

(i) 26th Report on Action Taken on the recommendations contained in the Tenth Report on 'Availability of Gas and Coal for Power Sector'.

(ii) 27th Report on Demands for Grants (2012-13) of the Ministry of New and Renewable Energy.

(iii) 28th Report on Demands for Grants (2012-13) of the Ministry of Power.

At the discussion, the Committee adopted the three draft Reports with minor modifications.

5. The Committee also authorized the Chairman to finalize the above-mentioned Reports after taking into consideration the consequential changes arising out of factual verification, if any, by the concerned Ministries and also to present the same to both the Houses of Parliament during the current session.

The Committee then adjourned.

APPENDIX II

(*Vide* Introduction of Report)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS CONTAINED IN THE 10th REPORT (15TH LOK SABHA) OF THE STANDING COMMITTEE ON ENERGY

(i)	Total number of Recommendations	11
(ii)	Recommendations/ Observations which have been accepted by the Government:	
	Sl. Nos. 3,6,7,8,9 and10	
	Total:	06
	Percentage	55%
(iii)	Recommendations/ Observations which the Committee do not desire to pursue in view of the Government's replies:	
	Sl. No. 1	
	Total:	01
	Percentage	09%
(iv)	Recommendations/ Observations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:	
	Sl. Nos. 2, 4 and 11	
	Total:	03
	Percentage	27%
(v)	Recommendations/ Observations in respect of which final replies of the Government are still awaited:	
	Sl. No. 5	
	Total:	01
	Percentage	09%