Coal India Limited

Auction of Coal Linkages in the Captive Power Plant (CPP) Sub-Sector – Phase III of Tranche I

Pre Bid Presentation

This presentation is for ease of understanding of the Scheme by the Bidders. In case of any discrepancies between this presentation and the Scheme Document, the provisions of the Scheme Document will prevail.

July 5, 2016

AGENDA

- Background
- Key Auction Principles
- Auction Methodology
- Key Terms
- Eligibility Criteria
- Conditions to E-Auction
- E-Auction Process
- Payments
- Key FSA Terms & Modifications to existing FSA

BACKGROUND

Policy Guidelines for Auction

- Proportion of coal allocation between power and non-power sector at 75% and 25% respectively **as per CCEA decision**
- Sub-sectors **could be** Cement, Sponge Iron/Steel, Aluminium and Others [excl. Fertiliser (Urea)] including their CPPs etc.
- Existing FSAs of non-regulated sector
  - No premature termination
  - No renewal except FSAs of CPSEs and Fertiliser (Urea)
  - In case CPSE's want additional linkages they will have to participate in the auction for such additional quantity.
- Quantity for Tranche I shall be aggregate of FSAs of non-regulated sector maturing in FY2016 onwards & 25% of incremental CIL/SCCL production during FY2016 over FY2015
- Separate quantities to be earmarked for sub-sectors
- CIL will allocate coal from area or mine within a subsidiary, as deemed fit
- FSA tenure may be as decided by MoC, subject to a **maximum tenure of 15 years**

Policy Guidelines for Auction ...2

- Bid parameter shall be Premium over Notified Price of coal
- Auction methodology shall be **Non Discriminatory Ascending Clock Auction**
  - Auctioneer increments the Premium on electronic platform till demand supply equilibrium is established

Premium shall remain constant over contract period; Notified price to be paid shall be suitably indexed on semi annual basis

- Bidders can bid up to **normative annual coal requirement of the end use plant (EUP)**
- Provision for **third party sampling** for coal supplied
- CIL/SCCL shall chalk out annual or 6-monthly auction calendar
- Based on experience of Tranche I, operational details may be appropriately reviewed

KEY AUCTION PRINCIPLES

Sub-sectors for Auction

- It has been decided to conduct the current auction of coal linkages under non-regulated sector (Tranche I) under the following sub-sectors:

  a) Cement (excluding its CPPs)

  b) Sponge Iron (excluding its CPPs)

  c) All Captive Power Plants (CPPs)

  d) Steel (Coking Coal)

  e) Others [excluding Fertilizer (urea) sector]

- All EUPs that do not fall under (a), (b), (c) and (d) above and co-gen based Captive Power Plants are included in "Others" sub-sector.

- Auction for the 'Sponge Iron' sub-sector was conducted during June 10-16, 2016 ("Phase I") and auction for the sub-sector 'Cement' was conducted during June 28 – July 2, 2016 ("Phase II").

- **Auction of "CPP" sub-sector is scheduled to commence from July 12, 2016** ("Phase III")

Allocation of Coal Quantity

- For the purpose of the first tranche of linkage auction, total quantity is **~ 23.75 Million Tonnes (MT)**
- Of the same, Quantity to be allocated to the "CPP" sub-sector will be informed shortly.

Bidding Parameter

- The auction will commence at the Reserve Price (Floor Price) and the bidders shall bid for premium above the Reserve Price and for a particular Quantity.

- **Reserve Price**
  - Reserve Price shall be the notified price published for a particular grade of coal

Timeline for Auction – CPP Sub-Sector

Event	Date
Publication of Notice Inviting Application	Wednesday, June 22, 2016
Upload of Scheme Document	Wednesday, June 22, 2016
Start of Registration Process	Wednesday, June 22, 2016
First Pre-Bid Conference held had at: Ground Floor Auditorium CIL's Head Office in Kolkata	Saturday, June 25, 2016 at 11:30 Hrs
Period for submission of information, documents and payments pertaining to Conditions to Auction	Friday, July 1, 2016 to at least 1 (one) business day prior (till 17:00 hours IST) to the date of auction of the Lot in which the Bidder intends to participate
Second Pre-Bid Conference to be held at: Tagore Hall Scope Convention Centre Scope Complex, 7 Lodhi Road New Delhi	Tuesday, July 5, 2016 at 15:00 Hrs
Mock Bidding Session	Will be intimated by MSTC separately
Scheduled Start of e-auction	Tuesday, July 12, 2016

AUCTION METHODOLOGY

Auction Process

Method of Bidding – Non-Discriminatory Ascending Clock Auction Process

Online Electronic Auction Platform

Registration on Auction Platform; No physical bids

Conditions to Auction

Auction Platform to display Normative Coal Requirement

Non-Discriminatory Ascending Clock Auction Process

Increase in Premium till Demand Supply equilibrium is established

Auction Process …2

- Bidder should visit the website of MSTC website for registration **www.mstcecommerce.com/auctionhome/coallinkage/index.jsp**
- Bidder registration on the Auction Platform is proposed to be linked to an End Use Plant (EUP)
- Any Bidder as defined in the Scheme Document having one or more CPP Units i.e. Captive Power Plant units (in a single location within the same boundary) located in India shall be allowed to participate. CPPs associated with any type of manufacturing units are eligible to participate in the auction of the CPP sub-sectors.

Auction Process …3

- Bidder will have to register each EUP on the MSTC system
  - Combination of units located within the same plant boundary is allowed to be registered as one EUP. However, once the units are combined and registered as single EUP, they cannot be split subsequently.
- For registering under the auction portal, the Bidder will provide the following:
  - Company Name
  - Name of EUP (auction portal will generate a unique registration number for each EUP)
  - Sub-sector in which each EUP is applying
  - Self-attested copy of Income Tax PAN Card
  - Self-attested copy of VAT/ CST Registration certificate

Auction Process ...4

- Auction process shall consist of: **Conditions to Auction** and **Non-Discriminatory Ascending Clock Auction Process**
- As a part of Conditions to Auction, Bidders shall provide the following details:
  - Technical data of EUP
  - Details of any existing coal linkages for the above EUP
  - Details of any coal mine allocated under CMSP and/or MMDR Acts

  Based on the above the system will calculate the Normative Coal Requirement of the EUP.

  - Following this the Bidder shall deposit the necessary Bid Security and the Process Fee
  - Bidders shall also submit certain other documents (**both hard copy and soft copy format)** such as Notarized Power of Attorney and Affidavit, Board Resolution (if required) etc.
  - Post submission of the requisite information/payments, e-auction process will commence wherein the bidders are required to bid for quantity against a certain price.

Auction Process ...5

- After completion of the auction of each Lot, Successful Bidder(s) for that lot will be announced.
- Such Successful Bidder(s) shall be issued a Letter of Intent **("LOI")** within 15 (fifteen) days of completion of the Phase III Auction (for CPP sub-sector) which will include the cumulative Allocated Quantity of such Bidder from the relevant CIL subsidiary, pursuant to the Phase III Auction.
- The Successful Bidder shall, within 45 (forty five) days of issuance of the LOI to it, submit the Performance Security to the relevant Subsidiary.
- The Agreement (FSA) shall be executed between the Successful Bidder and the relevant Subsidiary in respect of the Allocated Quantity within 30 (thirty) days of:
  - receipt of the Performance Security; and
  - submission of the documents specified in Scheme Document.
- Bidders will have to execute separate FSAs for each Lot where they emerge as Successful Bidders.

KEY TERMS

Normative Coal Requirement

- As per Para 2(g) of the Policy, maximum bid quantity by a particular bidder shall not exceed the Normative Coal Requirement of the End Use Plant (EUP).
- Normative Coal Requirement for each EUP in the “CPP” sub-sector will be calculated by the auction platform based on the norms as worked out by CEA and communicated by Ministry of Power via its Office Memorandum No. FU-35/2014 – IPC dated January 15, 2015.

Normative Coal Requirement…2

Normative Coal Requirement (MTPA)	$$\frac{Normative\ Energy\ Requirement\ (kcal\ per\ annum)}{10^9\ \times Gross\ Calorific\ Value\ of\ a\ particular\ Grade\ of\ Coal\ as\ per\ CEA\ Norms}$$
Normative Energy Requirement (kcal per annum)	Annual coal requirement of the Specified End Use Plant (calculated in kcal on the basis of the CEA Norms) ***minus*** Coal requirement of the Specified End Use Plant (in kcal)[@] met through any other existing coal linkage(s) ***minus*** Coal requirement of the Specified End Use Plant (in kcal) met through any captive coal mine(s) ***minus*** Coal requirement of the Specified End Use Plant (in kcal) met through any allocation of coal linkage(s) pursuant to auction process of any lot conducted by the CIL under this Scheme Document and/ or by SCCL *[@]Coal requirement of the Specified End Use Plant (in kcal) met through any other existing coal linkage(s) shall be estimated on the basis of Annual Contracted Quantity under the existing linkage(s) wherein such Annual Contacted Quantity shall be deemed to be of G10 grade of coal*

Example – Normative Coal Requirement Calculation

(+)	Annual Coal Requirement of the Specified End Use Plant (based on G10 grade)	5,00,000 TPA
(–)	Coal requirement of the Specified End Use Plant met through any other existing coal linkage(s) (deemed at G10 grade)	1,00,000 TPA
(–)	Coal requirement of the Specified End Use Plant met through any captive coal mine(s) (quantity adjusted to correspond to G10 grade)	1,50,000 TPA
	Normative Coal Requirement	**2,50,000 TPA**

Lots & Auction Sequence

- ‘Lot’ shall mean a specified quantity of coal belonging to a particular grade which is to be offered for sale and which may be dispatched by road or by rail
- Each Lot will contain only one Grade
  - Each Lot will also have a pre-identified Secondary Source
- Each Lot will have a specified mode of dispatch i.e. road or rail. Bidders will have to off-take coal from Lots via the specified mode of dispatch only
- In case of a force majeure event or other operational constraints, CIL may supply coal from other mine(s) (Road Sale Points)/ railway siding i.e. Secondary Source and make necessary steps to revert to the primary source as soon as it is operationally possible

S. No.	Subsidiary Name	Mine/ Siding	Mode	Grade/ Size	Quantity	Notified Price	Secondary Source

- Details of Lots have been provided in the Scheme Document
- Auction of Lots will be conducted sequentially
- Sequence and schedule of Lots will be provided upfront to the Bidders

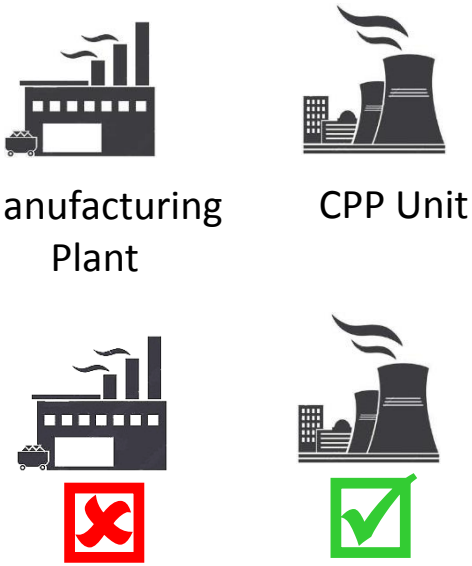
Specified End Use Plant for CPP Sub-Sector

Specified End Use Plant" shall mean a CPP Unit (or a combination of CPP units within a single plant boundary) located in India and owned by the Bidder

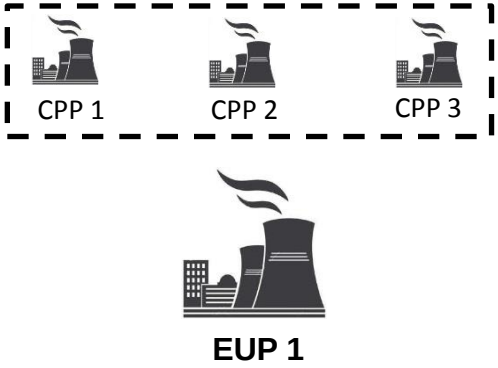
Company 'A' has an manufacturing Plant and a CPP unit

Only the CPP unit will participate for auction of Lots under the CPP sub-sector

Accordingly, Bidder to mention the plant capacity of CPP units strictly



Bidders having multiple CPPs within the same plant boundary can combine such CPPs and register as one EUP.



ELIGIBILITY CRITERIA

Eligibility Criteria

Composition of the Bidder

- Any resident Indian Person including a Proprietorship/partnership firm registered in India
- Companies incorporated in India

Ownership of End Use Plant (EUP)

- Bidder to own the EUP
- EUP to be located in India
- Coal to be used for own consumption

Status of End Use Plant

- EUPs should have commenced commercial operations

Normative Coal Requirement

- Calculated at **85% Plant Capacity Utilisation** and bidders may bid up to 100% of their Normative Coal Requirement
- To be net of requirement being met from other linkages and / or captive coal mine
- **Minimum Normative Coal Requirement should be 4,200 TPA**

Eligibility Criteria ...2

No. of Bids by a Bidder

- With respect to one specified EUP, Bidder is required to submit information/documents and payments as required under Conditions to e-Auction
- With respect to one EUP, the Bidder may submit financial bid for multiple Lots

Other Conditions

- Bidders with criminal conviction with respect to misutilisation of coal allocated through FSA will not be eligible.
- No transfer of linkage is allowed under the current linkage auction process. However change of control may be considered as specified in the Scheme Document.

CONDITIONS TO E-AUCTION

EUP Details

- As a part of Conditions to Auction, Bidders shall provide their EUP details for computation of the Normative Coal Requirement of the plant.
- Following Details are required for this purpose:
  - Details of the EUP including capacity
  - Details of existing coal linkage(s) if any
  - Details of existing Captive Coal Mine, if any

The same are required in the format as provided on the electronic platform.

Bid Security

- Bidder shall furnish, a bid security in the form of an Earnest Money Deposit (EMD).
- The Bid Security shall be Rs. 100 per tonne of the quantity the bidder intends to bid across various Lots.
- The payments made by Bidders towards the Bid Security shall be collected in a designated bank account as mentioned in the Scheme Document
- The Bidder shall ensure that at any time during the auction process, its Bid Security is adequate vis-à-vis the intended Link Quantity.
  - The Bidder has the flexibility to top up the Bid Security **at least 1 business day prior** to the scheduled auction of Coal Linkages pertaining to the Lot.
  - **Under no circumstances, the bidder shall be allowed to bid for a quantity for which the Bid Security has not been deposited.**

Refund of Bid Security

- The Bid Security pertaining to the Allocated Quantity of the Successful Bidder will be returned by the relevant Subsidiary to the Successful Bidder, without any interest, post submission of executed copies of FSA to the relevant Subsidiary
- The balance Bid Security of the Successful Bidder, if any, and the entire Bid Security of unsuccessful Bidders shall be returned without any interest, post completion of the Phase III Auction (for CPP sub-sector)

Bid Security …2

Conditions for forfeiture of Bid Security

- The information, documents and/ or payments with respect to the Conditions to Auction are determined to be non-responsive
- Engagement in a Corrupt Practice, Fraudulent Practice, Coercive Practice, Undesirable Practice or Restrictive Practice
- In case of a Successful Bidder, failure to submit within 45 days of issuance of the LOI, the following:
  - Performance Security
  - The documents specified in Annexure IX of the Scheme Document and other documents as may be requested by CIL or the relevant Subsidiary
- Failure to execute the Agreement within the time period specified in the Scheme Document

In which case, the Bidder will also cease to be a Successful Bidder.

Process Fee

- Along with Bid Security, the Bidders shall also be required to submit a process fee in the form of an earnest money deposit within the stipulated timeline which is **Rs. 2.50 per tonne (inclusive of service tax) multiplied by the Link Quantity across various Lots**
- The Bidder shall ensure that the Process Fee shall, at any time during the auction process, correspond to its intended Link Quantity across various Lots
- In case a Bidder decides to change the bidding strategy by opting to Bid for a different Link Quantity in a specific Lot, which requires additional Process Fee to be paid, the Bidder shall be required to top up the Process Fee no later than **1 business day prior** to the scheduled auction of the Coal Linkages from the relevant Lot
- The payments made by Bidders towards the Process Fee will be paid into a bank account as stipulated in the Scheme Document
- The Process Fee pertaining to the Allocated Quantities of each Successful Bidder will be debited towards transaction expenses for running the auction process and the balance shall be refunded, without interest
- In the event that a Bidder does not qualify as a Successful Bidder, the entire amount of the Process Fee, without any interest, shall be refunded to such Bidder after completion of the Phase III auction for CPP sub-sector

Other Documents

- A power of attorney in the format set out in Annexure III of the Scheme Document along with a certified true copy of the relevant authorizations in support thereof e.g. letter of authority, resolution of the board of directors, resolution of the shareholders etc.; and
- An affidavit in the format set out in Annexure IV of the Scheme Document certifying inter alia that they meet all the Eligibility Conditions required for participation in the auction process hereunder.
- An Undertaking in the format set out in Annexure II to perform activities required for submitting the bid in the manner prescribed in the Scheme Document and certifying that he shall continue to satisfy all the Eligibility Conditions

E-AUCTION PROCESS

Electronic Auction Process

- Coal quantity will be allocated by Non-Discriminatory Ascending Clock Auction
- For a particular sub-sector, Lots shall be auctioned sequentially
  - However, two or more Lots for different sub-sectors may be auctioned simultaneously
- For a particular Lot,
  - The auction process shall be conducted in rounds
  - The Auction Platform will calculate the premium for each auction round depending on the Demand – Supply Ratio of the immediately preceding round

$$Demand\ Supply\ Ratio(\%) = \frac{Total\ Bid\ Quantity\ of\ all\ Bidders\ in\ a\ Lot\ (TPA)}{Lot\ Size\ (TPA)}$$

  - Bidders are required to indicate quantity **("Link Quantity")** against premium quoted for each successive round of auction
  - The Bidders cannot increase the quantity between the previous and subsequent round
  - **Not entering any quantity in a particular round will imply "Zero" quantity entered and therefore the bidder will not be able to bid for any quantity in the subsequent rounds.**
  - Auction stops when Demand Supply Ratio is **less than or equal to 100%** for a particular round
  - The round at which the auction stops and penultimate round will be compared and the sale of coal from the round generating maximum revenue will be selected

Electronic Auction Process…2

- The Bid Quantity **("Link Quantity")** will be the minimum of Normative Coal Requirement or the quantity offered in a particular Lot.
- The Link Quantity will be integer multiples of the 100 TPA, the "**Transport Factor**"
- The minimum Link Quantity in any round for rail mode shall be 4,000 TPA
- At the end of each round, bidders will be told the Demand Supply Ratio of that round and the corresponding Premium of the next round and the bidder shall quote the Link Quantity required under each Round subject to the following conditions:
  - The Link Quantity is lower than or equal to the Link Quantity quoted in the previous Round
  - The Link Quantity will be an integer multiple of 100 TPA

Round Premium

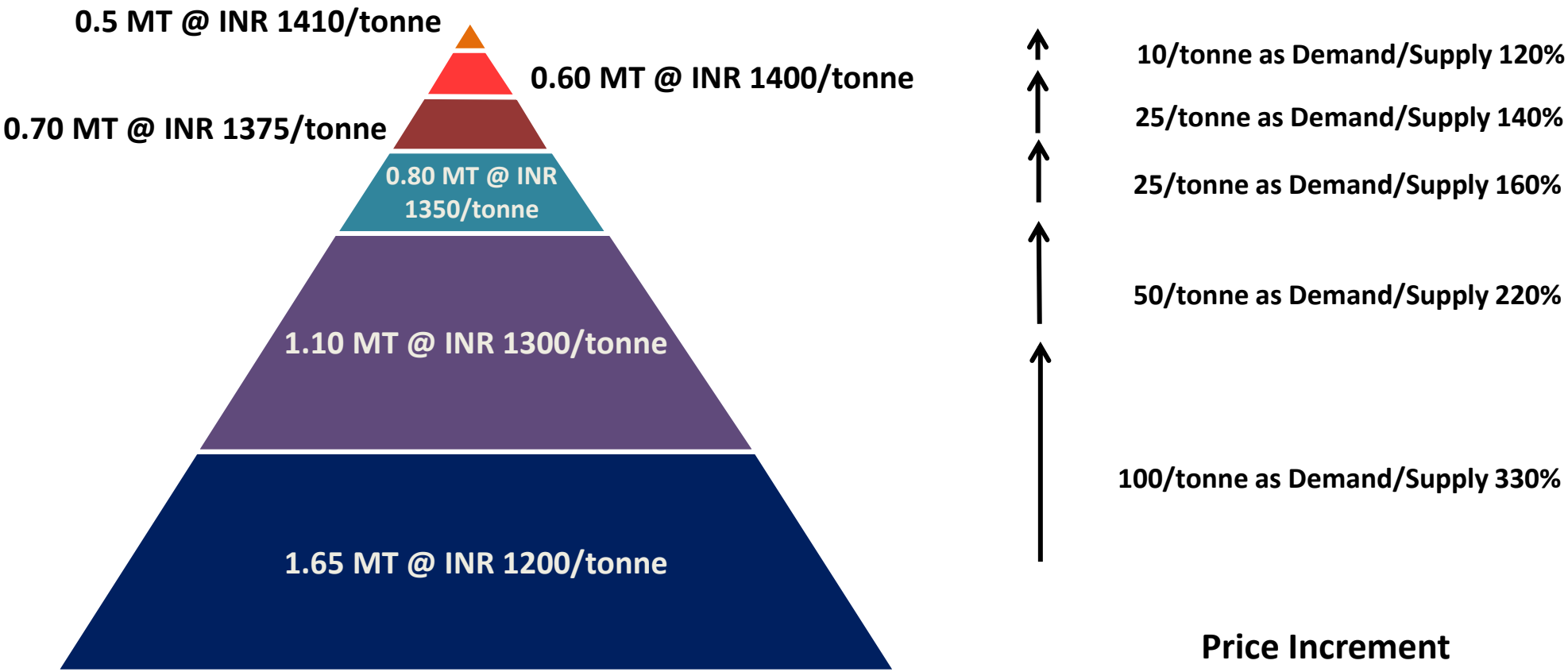
- Premium for the first round will be Rs. Zero/ tonne
- Round Premiums (other than the first Round) will depend on the Demand/Supply Ratio of the immediately preceding round and will be determined by the Auction Platform as follows:

Demand/Supply Ratio in a particular round	Incremental Round Premium (Rs. per tonne)
Greater than 100% and less than or equal to 125%	10
Greater than 125% and less than or equal to 200%	25
Greater than 200% and less than or equal to 300%	50
Greater than 300%	100

- Premium would be cumulative i.e. Premium for a particular round would be the premium at the preceding round plus the premium computed for the current round.

Example - Non-Discriminatory Ascending Clock Auction

Ascending Price with Demand Converging to 0.5 MT Quantity Offered



Allocated Quantity

- Each round will be considered a valid offer to purchase the Link Quantity at the stated price. Moving to the next round does not mean the previous offer is discarded or becomes invalid.
- The auction will stop once the Demand Supply Ratio is lower than or equal to 100%.
- In case in any of these rounds the Demand Supply Ratio is more than 100%, bidders will be allocated their pro-rata share (rounded down to the nearest multiple of the Transport Factor).
  - *For example in case the pro-rata allocation of a bidder is 11,515 TPA for a Lot, the final allocation to be computed by the portal would be 11,500 TPA.*
- The revenue from the last and the penultimate rounds will be compared and the and the round generating maximum revenue for CIL will be selected.
  - *For rounds where Demand Supply Ratio is more than 100%, the rounded down pro-rata quantity will be used for calculating the revenue to CIL.*

Example – Allocated Quantity ...2

- If the round at which the auction stops has Demand Supply ratio of 98% with a notified price of Rs 1,700/tonne and total premium of Rs 360/tonne. The penultimate round has Demand Supply ratio of 102% with a notified price of Rs 1,700/tonne and total premium of Rs 350/tonne. In such a scenario, for comparing the two round, following methodology will be considered:

Description	Allocation and Revenue Calculations for Penultimate Round			Allocation and Revenue Calculations for Round at which the auction stops		
	Bidder 1	Bidder 2	Bidder 3	Bidder 1	Bidder 2	Bidder 3
Link Quantity (TPA)	52,900	47,100	1,04,000	48,000	44,000	104,000
Pro-rata Allocated Quantity (TPA)	51,863	46,176	101,961	NA	NA	NA
Final Allocated Quantity (TPA)	51,800	46,100	101,000	48,000	44,000	104,000
Total Quantity Available for Sale	1,99,800 TPA			1,96,000 TPA		
Notified Price	Rs. 1,700 per tonne			Rs. 1,700 per tonne		
Applicable Round Premium	Rs. 350 per tonne			Rs. 360 per tonne		
Total Applicable Price	Rs. 2,050 per tonne			Rs. 2,060 per tonne		
Total Annual Revenue	Rs. 40.96 Crore			Rs. 40.38 Crore		

- *Since revenue at the penultimate round is* ***more than the revenue in the round at which the auction stops***, CIL may *choose this round and allocate each Bidder their pro-rata share with a premium of Rs. 350 per tonne*

Example – Allocated Quantity ...3

- If the penultimate round has Demand Supply ratio of 203% with a notified price of Rs 1,700/tonne and total premium of Rs 310/tonne and the round at which the auction stops has Demand Supply ratio of 98% with a notified price of Rs 1,700/tonne and total premium of Rs 360/tonne, following methodology will be considered:

Description	Allocation and Revenue Calculations for Penultimate Round			Allocation and Revenue Calculations for Round at which the auction stops		
	Bidder 1	Bidder 2	Bidder 3	Bidder 1	Bidder 2	Bidder 3
Link Quantity (TPA)	91,200	1,05,000	2,10,000	48,700	45,300	1,02,000
Pro-rata Allocated Quantity (TPA)	44,904	51,699	1,03,397	NA	NA	NA
Final Allocated Quantity (TPA)	44,900	51,600	1,03,300	48,700	45,300	1,02,000
Total Quantity Available for Sale	1,99,800 TPA			1,96,000 TPA		
Notified Price	Rs. 1,700 per tonne			Rs. 17,00 per tonne		
Applicable Round Premium	Rs. 310 per tonne			Rs. 360 per tonne		
Total Applicable Price	Rs. 2,010 per tonne			Rs. 2,060 per tonne		
Total Annual Revenue	Rs. 40.16 Crore			Rs. 40.38 Crore		

- *Since revenue at the round at which the auction stops is **more than penultimate Round**, CIL may choose the last round and allocate each Bidder their pro-rata share with a premium of Rs. 360 per tonne.*

PAYMENTS

Periodic Payments & Price Indexation

- ***The premium determined through the auction process will be converted into percentage terms i.e. percentage of the notified price and this percentage premium will remain constant throughout the tenure of the FSA***

- Notified price will be reviewed semi-annually and any modification (upward or downward) in the notified price post such review shall be considered as indexation and such modified price will be referred as **"Indexed Notified Price"**.

- The price charged will be the sum of (a) notified price (or indexed notified price post review if any) and (b) the percentage premium on such notified price (or indexed notified price).

- An example is worked out below

Original Notified Price (Rs./tonne)	1,700
Premium (Rs./tonne)	250
Total Price Payable by Successful Bidder (Rs./tonne)	**1,950**
% Premium over Notified Price (to remain constant)	**14.71%**
Upward Revised Notified Price (Rs./tonne)	2,000
Premium Payable @ 14.71% of Rs. 2,000 / tonne	294
Total Price Payable by Successful Bidder after Price Revision (Rs./tonne)	**2,294**
Downward Revised Notified Price (Rs./tonne)	1,500
Premium Payable @ 14.71% of Rs. 1,500 / tonne	214
Total Price Payable by Successful Bidder after Price Revision (Rs./tonne)	**1,714**

Performance Security

- The Successful Bidder, shall provide to the relevant CIL Subsidiary, a Performance Security within 45 days of issuance of the LOI in the form of an Irrevocable and unconditional guarantee from an Acceptable Bank and in the format specified in the Scheme Document

Performance Security = 6% x [Allocated Quantity of the Successful Bidder] × [Aggregate of the (Notified Price or Indexed Notified Price, as the case may be) and (% Winning Premium x Notified Price or Indexed Notified Price, as the case may be)]

- The amount of Performance Security shall be suitably revised in case of change in Notified Price
- Validity of Performance Security is till 3 months from the date of expiry of the FSA
- The Performance Security may be forfeited by the relevant Subsidiary in the manner specified in the Agreement

[Refer to Scheme Document for details]

"**Acceptable Bank**" shall mean a Scheduled Bank as listed in the Second Schedule of the Reserve Bank of India Act, 1934 excluding those listed under the headings of Gramin Banks, Urban Co-operative Banks and State Co-operative Banks

KEY FSA TERMS AND MODIFICATIONS IN EXISTING FSA

Grade Variation

- In case of a variation in grade of coal (decided on the basis of third party sampling) as compared to the Allocated Quantity grade, Bidder shall pay the Notified Price (or the latest Indexed Notified Price as the case may be) of the supplied grade plus the Winning Premium (in percentage terms) on the Notified Price (or the latest Indexed Notified Price as the case may be) of the supplied grade without factoring in royalty payments, taxes etc.
- Illustration:

Particulars	Case I: Supplied Grade is lower than Contracted Grade	Case II: Supplied Grade is higher than Contracted Grade
Allocated Grade to Bidder	G6	G6
Notified Price (Rs./ Tonne) (B)	2,280.00	2,280.00
Premium (Rs./ Tonne) (C)	300.00	300.00
Premium as % of Notified Price (D=C/B)	13.16%	13.16%
Actually Supplied Grade	G7	G5
Notified Price of Supplied Grade (Rs./ Tonne) (E)	1,920.00	2,750.00
Premium of Supplied Grade (Rs./ Tonne) (F=E*D)	252.63	361.84
Price Payable for Supplied Grade (Rs/Tonne) (I = E+F)	2,172.63	3,111.84

Independent Third Party Sampling

- Each Successful Bidder off-taking coal via rail mode may choose an agency from the following:
  - list of independent third parties provided by CIL from time to time or
  - CIMFR or CIMFR appointed agencies.
- Bearing logistical issues, in case of off-take of coal via road mode, a single independent third party sampling agency will be appointed by respective CIL subsidiary for sampling coal supplied to various purchasers from a particular source
- Third party sampling, if requested by the Successful Bidder, shall be done from the delivery/ loading point at supplier's end
- Costs of third party sampling
  - shall be borne equally in case of transport via rail mode
  - in case of transport via road 50% of the cost of third party sampling will be borne by respective CIL subsidiary and the residual 50% cost shall be shared by the parties who have requested for Third Party Sampling on a proportionate basis (depending on quantity of coal supplied).
- The procedure for conduct of Third Party Sampling shall be as detailed in the Agreement.

Key Modifications required in Existing Model FSA

- **Duration and Lock-in**
  - As per Para 1(ii) of the Policy, tenure of the FSA may be as decided by MoC subject to a maximum of 15 years
  - Under the Auction Process, the Agreement shall come into force from the date of signing of the Agreement and shall be valid for a term of 5 (five) years from the date of signing. Upon expiry of the aforesaid period of 5 (five) years, the Agreement may be extended for a further period of 5 (five) years on mutually agreed terms
  - The Agreement shall have a lock-in period of 2 (two) years

- **Change in Control**

  Change in Control of the Successful Bidder and/ or any transfer of the Specified End Use Plant along with the rights in relation to the Allocated Quantity shall be permissible with prior approval of the relevant Subsidiary if:

  - Such change in Control does not result in the Successful Bidder becoming non-compliant with any of the Eligibility Conditions or the transferee of the Specified End Use Plant along with the rights in relation to the Allocated Quantity continues to satisfy all of the Eligibility Conditions
  - Such change in Control and/ or transfer occurs in accordance with Applicable Law and the conditions for transfer and/ or assignment contained in the Agreement

Key Modifications required in Existing Model FSA …2

- **Exit Options**
  - Post the expiry of lock-in period, the Successful Bidder may seek an exit after serving a prior written notice of three months.
  - If the Successful Bidder exits the Agreement prior to expiry of the lock-in period of 2 (two) years, the Performance Security shall be forfeited in its entirety and the Successful Bidder shall be disqualified from participating in the subsequent tranche of auction for the non-regulated sector conducted by CIL
- **Indemnification**
  - The relevant Subsidiary shall be indemnified by the Successful Bidder for any claims or action that may arise inter alia on account of any misrepresentation of the Bidder misrepresentation, unwilling or otherwise

Key Modifications required in Existing Model FSA ...3

- **Quantity and Compensation for short delivery / lifting**
  - If level of delivery by the relevant Subsidiary or level of lifting by the Successful Bidder falls below 75% (seventy five per cent.) then the defaulting party shall be liable to pay compensation to the other party in the following manner:

Level of Delivery/ Lifting of Coal in a Year	Percentage of Penalty for the failed quantity
Below 75% but up to 70% of Allocated Quantity	0 - 5
Below 70% but up to 65% of Allocated Quantity	5 - 10
Below 65% but up to 60% of Allocated Quantity	10 - 20
Below 60%	20 - 40

The penalty shall be computed in the same manner as done slab wise for computation of income tax. However, unlike income tax the percentage of compensation shall grow on a linear basis within each slab.

- **Performance Incentive**
  - There shall be no performance incentive under the Agreement because contracted quantity will be 100% of the EUP's Normative Coal Requirement.
- **Security**
  - Successful Bidder shall be entitled to create encumbrances over the Agreement or rights granted to it under the Agreement for the purposes of availing financing from a bank or financial institutions for financing the EUP without any prior approval by relevant CIL Subsidiary.

Key Modifications required in Existing Model FSA …4

- **Termination**
  - Failure of a party to perform its obligations under the Agreement because of a force majeure, for a period beyond 90 (ninety) days in any continuous period of 180 (one hundred eighty) days
  - Successful Bidder being prevented /disabled under Applicable Law from using coal, for reasons beyond their control
  - Any material change in the coal distribution system of the relevant subsidiary of CIL due to a Government directive/ notification, post the execution of the Agreement
  - The matter pertaining to the diversion or breach of end use of coal leads to suspension of the deliveries and the matter cannot be resolved
  - Encashment of the Performance Security or suspension of coal supplies
  - In the event a party suffers insolvency, appointment of liquidator (provisional or final), appointment of receiver of any of material assets, levy of any order of attachment of the material assets, or any order or injunction restraining the party from dealing with or disposing of its assets
  - A party commits a breach of terms or conditions of the Agreement

THANK YOU

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Consumption Norms as per CEA – CPPs

Grade	GCV Considered (kcal/kg)	Sub Critical Technology				Super Critical Units #
		Less than 100 MW	100 MW to less than 200 MW	200 MW to less than 250 MW *	250 MW and above #	
		Unit Heat Rate (kcal/kWh)				
		2,770	2,615	2,500	2,375	2,250
		Annual Consumption at 85% PLF (Tonnes per MW per annum)				
G4	6,100	3,381	3,192	3,052	2,899	2,746
G5	5,800	3,556	3,357	3,209	3,049	2,889
G6	5,500	3,750	3,540	3,385	3,215	3,046
G7	5,200	3,966	3,744	3,580	3,401	3,222
G8	4,900	4,209	3,974	3,799	3,609	3,419
G9	4,600	4,484	4,233	4,047	3,844	3,642
G10	4,300	4,797	4,528	4,329	4,113	3,896
G11	4,000	5,156	4,868	4,654	4,421	4,188
G12	3,700	5,574	5,263	5,031	4,780	4,528
G13	3,400	6,066	5,727	5,475	5,201	4,928
G14	3,100	6,653	6,281	6,005	5,705	5,404
G15	2,800	7,366	6,954	6,648	6,316	5,983

Consumption Norms as per CEA – CPPs. . .2

Notes:

- In case of power projects where approved heat rate by Regulator is higher than above considered value, the Heat Rate approved by Regulator would be considered for the purpose of working out normative coal consumption requirement.

** In case of main stem pressure is 150 ata or above the Unit Heat Rate shall be reduced by 100 kcal/kWh*

 # In case of units having Motor Driven Boiler Feed Pump (MDBFP) of 500 MW and above size units including Super Critical units the unit heat rate shall be reduced by 50 kcal/kWh.

$$\boldsymbol{Annual\ Coal\ Consumption\ at\ 85\%\ PLF\ (Tonnes\ Per\ MW\ Per\ Annum)}$$

$$= \frac{\boldsymbol{Unit\ Heat\ Rate\ * 24 * 365 * 85\%}}{\boldsymbol{GCV}}$$