Date: January 11, 2017

COAL INDIA LIMITED

Auction of Coal Linkage for Non-Regulated Sector – Tranche II

List of Frequently Asked Questions - Sponge Iron Sub-Sector

S. No.	Question	Answer
1.	What are the various sub-sectors under non-regulated sector?	The sub-sectors under non-regulated sector which can participate in the auction are: a) Cement b) Sponge Iron c) All Captive Power Plants (CPPs) d) Others [excluding Fertilizer (urea) sector] "Others" exclude all EUPs that fall under sub-sectors mentioned in (a), (b), and (c).
2.	What type of units can participate under the "Sponge Iron" sub-sector?	Any Bidder as defined in the Scheme Document having a DRI unit (either standalone or part of an Integrated Steel Plant) will be allowed to participate. All CPPs and units other than Sponge Iron will participate in the auction of their particular sub-sectors.
3.	I have a CPP for my sponge manufacturing unit. Under the new scheme, there is a proposal to auction linkages under sub-sectors. Under which category should I apply for this CPP?	All the CPPs shall be eligible to participate under 'All Captive Power Plants (CPPs)' sub-sector.
4.	I am already registered on the auction platform for linkage auction under Tranche I. Do I have to register again for Tranche II.	No. Only EUPs not registered under Tranche I need to register on auction platform for Tranche II. It may be noted that bidders already registered for the coal linkage auctions of CIL or SCCL must necessarily use the same registration for the same End Use Plant.
5.	I am already registered on the MSTC platform for the e-auction of coal. Would my credentials be valid for this new auction as well?	No. For participation in auction of linkage, Bidder shall be required to register on the website of MSTC Ltd at the following link www.mstcecommerce.com/auctionhome/coallinkage/index.jsp. Detailed process for registration may be downloaded from the above link.

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6.	How would the normative coal requirement of the EUPs be assessed? Would CIL provide some norms for estimating normative coal requirement?	Normative coal consumption table is available on www.mstcecommerce.com/auctionhome/coallinkage/index.jsp Bidders will be required to enter data with respect to each of their EUPs on the MSTC platform based on which their normative coal requirement will be calculated and displayed. **EUPs registering for the first time have to enter following data** — Technical data of EUP (for Sponge Iron, only the DRI plant capacity is to be provided) — Details of any existing coal linkages (expiring post March 31, 2017) for the above EUP — Details of any coal mine allocated under CMSP and/or MMDR Acts **EUPs already registered on the auction platform have to enter following information** — Details of coal linkages that has expired or going to expire between June 30, 2016 and March 31, 2017 Normative Coal Requirement will be as defined in Clause 3.3 of the Scheme Document and shall be Normative Coal Requirement net of coal requirement met through (i) any other existing coal linkage(s), (ii) any captive coal mine(s); and (iii) allocation of coal linkage(s) pursuant to the auction process conducted by CIL/SCCL.
7.	I have been allocated a coal mine for captive consumption in 2 units: Unit 1 and Unit 2. However, in the coal linkage auction, I want to participate through Unit 1 as the Specified EUP. How do I estimate the coal requirement of Unit 1 which has already been fulfilled through coal mine allocation?	For mines which have been allocated through 'auction process', the same will be computed pro-rata on the basis of the coal requirement of each unit as was provided to the bidder during the coal mine auction process. For example, A Coal Mine with PRC of 1 MTPA and G10 grade has been allocated to a bidder through auction for its Specified EUPs where the Specified EUPs of the Bidder was Unit 1 and Unit 2. The coal requirement (and not entitlement), as communicated to the Bidder during the auction process was 3,59,775 TPA and 6,79,200 TPA for Unit 1 and Unit 2 respectively i.e. in the ratio of ~34.63:65.37. In case the Bidder is wishing to participate in the coal linkage auction through Unit 1 only, then the coal requirement of Unit 1 as met through captive coal mine shall be 3,46,279 TPA (i.e. 34.63*1 MTPA PRC).

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8.	What shall be the source of supply of coal? How will the auction be conducted for such supply?	Source of supply shall be individual mines (source)/ railway sidings. Auction will be conducted in "Lots". Each Lot will majorly have the following defined characteristics: a) Grade b) Quantity (in Million Tonnes Per Annum) c) Point of Delivery (road sale point/ railway siding) d) Sub-sector for which that Lot is earmarked
9.	If a railway siding is about 30 km (or such shorter distance) away from a Specified End Use Plant (EUP), whether such EUP will be allowed to off-take coal through road as off-taking coal through rail will involve logistic costs and may not be economical. Also, will CIL provide the flexibility to the bidder to switch to Road mode in case of failure on the part of Indian Railways?	Bidders will be allowed to dispatch only through the mode specified for a particular Lot.
10.	What shall be tenure of the new FSAs?	The tenure of the FSA shall be 5 years which can be extended by another 5 years on mutually agreed terms upon the request of Bidder.
11.	What is "Transport Factor" and what is the minimum quantity than can be bid?	Bids have to be submitted in multiples of 100 TPA ("Transport Factor"). However, in any round, while the minimum bid quantity for Lots with road mode of transport is 100 TPA, for rail mode of transport the minimum bid quantity cannot be below 4,000 TPA.
12.	I have an existing linkage of coal supply with CIL subsidiary which is due to expire on 05/04/2017? Can I participate for the same quantity in the Tranche II of the auction?	No. Bidders will not be allowed to bid for any linkage quantity against which he has a valid FSA which is expiring post 31st March, 2017.
13.	I have an existing FSA. Till when will my coal supply be continued?	For linkages which have expired / are due to expire by March 31, 2017, the following policy will be followed: (a) In the event bidder have participated in the auction and won back part / full of such quantity, such quantity shall be supplied till the execution of new FSA. (b) In the event bidder has either not participated or not won back part / full of such quantity, supply for quantity not won back shall be stopped after the last day of month in which the auction for the particular phase (i.e. sub sector) is concluded or after the expiry of such FSA whichever is later. For linkages which are due to expire post March 31, 2017, the extant coal supply arrangements from such linkages may continue till the next Tranche of linkage auction.

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14.	I have an FSA for my sponge iron unit where the ACQ is at 85% plant utilisation. In case there are new norms which come up in the new guidelines of auction and the coal requirement for my EUP is more than the currently tied ACQ, would I be eligible to participate in the auction and bid for the extra coal requirement?	Yes.
15.	I have a coal mine which has been allocated to me for use in my specified end use plant. However, the mine has not attained Peak Rated Capacity (PRC). Can I participate in the auction?	In case a coal mine has been allocated for captive consumption of coal in an EUP, then the normative coal requirement shall be net of grade adjusted coal requirement, on the basis of PRC, being met from such captive coal mine. Where a mine has been allocated for multiple plants, then the coal supply from the mine shall be deemed to be apportioned in the proportion of coal requirement of individual plants. ***For example****: A mine "M" with PRC of 2 MTPA has been allocated for captive consumption in Plant A and Plant B with annual coal requirement of 4 MTPA and 1 MTPA respectively. For the purpose of assessment of Normative Coal Requirement, it would be considered that the requirement of Plant A and Plant B has been met to the extent of 1.6 MTPA and 0.4 MTPA respectively i.e. 2 MTPA allocated in the ratio of 4:1.* The Bidder shall be solely responsible for making necessary calculations and submitting the correct data in the MSTC website.
16.	In case the Mining Lease of a captive coal mine is not signed and the mining has not started, will such plant be considered for the present auction?	Such EUP will be allowed to participate in the auction process. However the peak rated capacity of the allocated mine (irrespective of the status of production), will be deducted for computing the normative coal requirement of that plant.
17.	What is the Floor Price of auction? In case of the new price going above the current Notified price, how would the royalty and other cess which are a percentage over the Notified price be levied?	The initial floor price shall be set at the relevant CIL Notified price and bidders shall bid for premium above this price. While the bidding shall be on premium (in absolute number terms) on the notified price, for estimation of periodic payments premium will be considered as a % of notified price which shall get locked in for the FSA period. Royalty, other cess, levies etc. shall be payable as per applicable laws and guidelines.

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18.	I have an existing linkage which is not expiring in FY17 under which I am being supplied coal of G7 grade from a mine of SECL. Under the new auction scheme, the same mine may supply same Grade of coal at a higher price. What would be impact on my prices?	Under existing FSAs, coal to be supplied at the existing terms and conditions till the scheduled maturity of the existing FSA.
19.	I have an existing linkage with a CIL subsidiary. Would my FSA contract be modified as per the new conditions?	No. The proposed auction will have no impact on the existing FSA contract terms.
20.	Does the under construction plant have to go through the same LoA milestones or would there be any change in milestones?	Only plants which have achieved commercial operation will be allowed to participate in the present auction.
21.	Would Third Party Sampling be applicable to all categories of coal customers from now? Would it be applicable to existing customers of Non-Regulated sectors?	Third party sampling will be applicable for all consumers (who are willing to avail the facility) which would be awarded linkage through the linkage auction process. There will not be any amendments in the provisions of existing FSAs.
22.	Whether separate units are required to be registered separately or combination of units within a boundary wall may be allowed to register as a single unit?	Combination of units located within the same plant boundary and belonging to the same industry is allowed to be registered as one EUP. However, once the units are combined and registered as single EUP, they cannot be split subsequently.
23.	In case the manufacturing unit of the successful bidder for a G10 grade is supplied with a G8 grade and the CPP unit of such successful bidder for a G8 grade is supplied with a G10 grade, whether he may be allowed to use such G8 grade supplied for manufacturing unit in his CPP unit and the G10 grade supplied for the CPP unit in his manufacturing unit.	Swapping of Grades across EUPs is not allowed.

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24.	Electronic platform requires bank details of the bidder at the time of registration. However, in case the bidder wants to transfer money from different bank account. Whether the same is permissible?	The same is permissible. However the refund of Bid Security & Process Fee, if any, will be made to the bank account mentioned at the time of registration.
25.	My plant is in Latehar district of Jharkhand. I used to get coal from a CCL mine before the expiry of my FSA. Can I participate for any subsidiary's coal supply on offer or I would be allowed to bid for only CCL coal?	The bidder can participate in the auction for any Lot as per its eligibility.
26.	There is a list of documents which I used to submit under the LoA through FSA system. Is there any additional document which would need to be furnished in the new system?	The list of documents required to be submitted shall be specified in the Scheme Document as uploaded on the auction portal www.mstcecommerce.com/auctionhome/coallinkage/index.jsp
27.	Since I am willing to pay a Premium over Notified price, would the new provisions assure supply of the same grade of coal as contracted under the new FSA?	Yes. Appropriate provisions (including Third Party Sampling) shall be stipulated in the Scheme Document and FSA to protect Bidder's interest.
28.	In case the grade of coal supplied is different from the grade contracted, would there be any adjustment in the Reserve Price and Premium on this account?	Yes. In case of any upward or downward variation in the grade supplied as compared to the grade contracted, adjustment formula as prescribed in the Scheme Document shall be applicable.
29.	The process mentions that the bidder is required to indicate his existing linkage along with its Grade for computation of Normative Coal Requirement. However certain FSAs provide a range of Grades to be supplied i.e. G8 to G12. In such a scenario which Grade should the bidder mention on the portal as the Normative Coal Requirement will be computed in energy terms which would be later converted into quantity?	In case the bidder has existing linkage, the entire Annual Contracted Quantity specified in the existing FSA shall be deemed to be of G10 grade of coal, irrespective of actual contracted grade. Hence the Bidder only needs to mention the Annual Contracted Quantity as specified in the existing FSA.

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30.	Will the price determined in auction be fixed over the period of contract?	The reserve price for the auction would be the notified price of the non-regulated sector. Notified price will be reviewed semi-annually and any modification in the notified price post such review shall be considered as indexation and such modified notified price will be referred as Indexed Notified Price. The premium determined through the auction process will be converted into percentage terms i.e. percentage of the reserve price and this percentage premium will remain constant throughout the tenure of the FSA. 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) as the case may be.
31.	What happens when the Notified Prices are increased/ decreased?	In both cases, the price charged will be the sum of (a) notified price (or indexed notified price post review if any) and (b) the percentage premium multiplied by such notified price (or indexed notified price).
32.	In case of an auction, will it be sequential or simultaneous? How will the price increase on the auction platform be controlled as there would be multiple bidders?	Auction of lots for a particular sub-sector will be conducted sequentially. Such sequence of auction Lots shall be provided in the Scheme Document. The method of auction is Non-Discriminatory Ascending Clock Auction where price increment shall be determined by the system depending upon the demand supply scenario.
33.	What is the Bid Security for the auction process?	Bid Security is proposed to be submitted in the form of Earnest Money Deposit (EMD) at the rate of Rs. 100/tonne. Bid Security shall be deposited for the quantity which the bidder intends to bid across various Lots in a particular sub-sector.
34.	Whether the revised rates of Bid Security from present Rs. 200/ tonne to Rs. 100/ tonne in the proposed auction of linkages will be applicable across all auction processes?	The same is applicable only for the current linkage auction.
35.	In case I am unsuccessful in the auction, how will my Bid Security be refunded?	▪ 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 I Auction
36.	In case I am unsuccessful in the auction, how will the Process Fee deposited by me refunded?	▪ 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 I Auction

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37.	How is my schedule affected if the previous round is still continuing?	In case the auction of any Lot spills over to the timeslot of the next Lot(s), then the auction of the next Lot(s) will be deferred and will be conducted at the end of auction of the last Lot as per the auction sequence. ***For example**: There are 15 Lots (numbered L1 to L15) for a sub-sector with a proposed auction sequence of 3 Lots per day at 12:00 HRS, 15:00 HRS and 18:00 HRS respectively with the scheduled auction to run for five days. In case the auction of Lot 1 continues till 18:01 HRS on Day 1, auction of Lot 2 and Lot 3 will be deferred and will be conducted after the auction of Lot 15.*
38.	What are the various exit provisions in the new FSAs upon securing coal supply in auction?	a) FSA shall have a lock-in period of 2 (two) years. Post the expiry of lock-in period, Successful Bidder may seek an exit after serving a prior written notice of 3 (three) months. b) 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 immediately subsequent tranche of auction for the non-regulated sector conducted by CIL.
39.	What would be the impact of short delivery/ lifting of coal?	If the level of delivery/lifting of coal falls below 75% of annual contracted quantity, the defaulting party will pay compensation to the counterparty as per the Fuel Supply Agreement (FSA). Deemed delivery/ off take provisions shall be applicable as per the FSA.
40.	Will there be any Performance Incentive charged by CIL in case the level of supply exceeds 90% of the contracted quantity?	There shall be no Performance Incentive under the FSAs executed pursuant to award of linkage through auction because CIL is committing to supply up to 100% of normative coal requirement.
41.	Can I transfer the Coal linkage to other EUPs of the same company or other company within the same sub-sector?	No
42.	What if there is a change in PRC of a captive coal mine of a bidder due to a change in the mining plan which may lead to more coal supply than normative requirement of EUP?	In case an increase in PRC leads to allocation of more coal than the normative coal requirement of the EUP, the bidder will have to surrender the linkage for excess quantity.
43.	What will be the frequency of price indexation?	Notified price will be reviewed semi-annually and any modification in the notified price post such review shall be considered as indexation.

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44.	Since the Scheme Document shall be subject to the exclusive jurisdiction of the courts in Kolkata, India, it is inconvenient, for instance, for a bidder located in Raipur to file complaint and pursue the matter in Kolkata. Does CIL have any remedy for the same. Additionally, can provisions of arbitration be considered?	Scheme Document is subject to the jurisdiction of the Kolkata High Court. However, FSA will be subject to the jurisdiction of the High Court of the state where the respective subsidiary's headquarter is located. Provisions for Arbitration are not considered for the linkage auction.
45.	Since the linkage auction process is new to the Bidders, would mock bidding session be conducted for the Bidders?	Separate notification shall be issued for conduct of mock bidding session for the Bidders.