



COAL INDIA LIMITED  
MARKETING & SALES

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Action Area 1A, New Town, Rajarhat, Kolkata - 700 156

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Ref: CIL/M&S/*Linkage Rationalization/273*

Date-14.06.2023

**NOTICE**

**Subject: Standard Operating Procedure For Linkage Rationalization**

CIL has so far conducted two rounds of rationalization as per methodology for rationalization of linkages for Independent Power Producers (IPP) circulated by MoC dated 15.05.2018.

Recently, vide letter dated 16.01.2023 & 26.04.23, MoC directed CIL to commence further rounds of rationalization of linkages, inter alia, advising that detailed modalities/ procedures for implementing the methodology are to be worked out by coal companies.

In terms of the same, an SOP to be followed during next rounds of linkage rationalization, has been framed at CIL level & upon due approval of the Competent Authority, the SOP is attached herewith for information of & requisite compliance by all interested Power Sector consumers.

Encl.: a/a

*[Signature]*  
14/06/23  
CM (M&S-FSA/Linkage)

Copy for kind information to:

1. Director (Marketing), CIL
2. GM (M&S-Comml.), CIL
3. GM (M&S), ECL/BCCL/CCL/NCL/WCL/SECL/MCL/NEC

## **STANDARD OPERATING PROCEDURE FOR LINKAGE RATIONALIZATION**

In terms of MoC's directives dated 15.05.2018 and 26.04.2023, the following procedure shall be adopted for processing further rounds of rationalization of linkages for State/ Central GENCOs and IPPs -

- Rationalization carried put under the previous round(s) but pending as on the date of notification of EOI for execution of FSA/non submission of amended PPA, as the case may be, will be deemed as cancelled.
- Before initiating a particular round of rationalization exercise, availability of **Surplus Coal** during the fiscal and expected availability during next five (5) years according to production plan and existing/future commitments based on ACQ & other relevant factors will be assessed by CIL.
- The minimum quantity of Surplus Coal during current fiscal and any of the next five years will be communicated to subsidiary(s) for confirmation within fifteen (15) days of communication. In case, no response is received from subsidiaries within such time, the surplus coal availability indicated by CIL will be treated as final for going ahead with rationalization exercise.
- Before undertaking the rationalization exercise for a particular round, viability/constraints at each coal company will also be considered and the Surplus Coal availability shall be accordingly adjusted.
- The application for linkage rationalization shall be sought from State/Central GENCOs and IPPs simultaneously. However, the process shall start with rationalization exercise for State/Central GENCOs in terms of linkage rationalization methodology issued by MOC dated 15.05.2018. After uploading of approved final rationalized matrix in respect of State/Central GENCOs on the website of CIL, linkage rationalization exercise in respect of IPPs shall be taken up. The linkage rationalization exercise in respect of State/Central GENCOs and IPPs shall be completed within 3 months individually.
- For encouraging participation of only serious consumers, an EMD @ Rs. 100/ tonne in the form of BG/Cash & a non-refundable processing fee @ Rs. 10/ tonne (in cash only) shall be required to be submitted to CIL by the consumer(s). The EMD and the Process Fee will be managed by CIL.
- Once rationalization exercise for State/ Central GENCOs is complete, the left over surplus coal, if any, shall be considered for rationalization exercise in case of IPPs.
- The rationalization will take place only after concurrence from Railways to ensure transportation logistics.
- After completion of rationalization exercise for State/ Central GENCOs and IPPs individually, each outcome will be circulated to all concerned for implementation and also hosted in the website of CIL.
- Based on successful signing of FSA(s) at the new source, corresponding adjustments in the commitment/ availability at the respective source(s) will be worked out.
- Rationalization exercise shall be conducted once in every two (2) years.

### **Earnest Money Deposit and Process Fees**

- Non-refundable Process fees is towards enabling a serious unit to participate in the rationalization exercise (irrespective of outcome).
- EMD is towards timely completion of requisite formalities/ signing of FSA at the rationalized source by the consumer.
- EMD and Process Fees are to be deposited for quantity applied for rationalization at the time of submission of EOI.

- EOI application will be held as valid only when accompanied with both EMD and the Process Fees. Any application not accompanied with both EMD and Process Fees will not be considered for rationalization exercise.
- EMD in respect of Quantity which could not be considered for rationalization exercise by CIL due to any constraints/feasibility issues, shall be refunded within 30 days of publication of final rationalized matrix.
- Submission of EMD and Process Fee shall not constitute any right on part of consumer to claim any benefits of rationalization exercise. CIL reserves right to amend/ cancel the exercise at its own discretion at any stage.
- An illustration showing Refund/ forfeiture of EMD is provided in the table below-

ILLUSTRATION OF EMD REFUND							
Sl. No.	Description	Original Source		New Source 1		New Source 2	
		Quantity	Sub	Quantity	Sub	Quantity	Sub
A	Quantity submitted in EOI for rationalization	200	MCL	120	CCL	80	BCCL
B	Quantity for which EMD Submitted	100	MCL	-	-	-	-
C	Quantity for which Processing fee submitted <b>(non-refundable)</b>	90	MCL	-	-	-	-
D	Quantity considered for rationalization ( minimum of A, B & C)*	90	MCL	54	CCL	36	BCCL
E	Quantity considered for final rationalization post consideration of constraints/feasibility**	65	MCL	40	CCL	25	BCCL
F	Quantity for which FSA signed at new source**	50	MCL	30	CCL	20	BCCL
G	Quantity eligible for EMD forfeiture (E-F)	15	MCL	-	-	-	-
H	Quantity eligible for EMD refund (B-G)	85	MCL	-	-	-	-

\* Rationalization at the desired source shall be considered in proportion to the initially applied quantity for rationalization

\*\* The quantity shown at the desired source are quantity as per the representative grade of the original source. This quantity shall be finally adjusted as per the representative grade of the desired source.

**Publication of EOIs by CIL and submission of EOIs by State/Central GENCOs and IPPs**

- a. The EOIs in the standardized formats attached as **Annex-I** and **Annex-II** for State/Central GENCOs and IPPs respectively, shall be published in the CIL website simultaneously.
- b. Thirty (30) days' timeline from the date of publication of EOIs shall be provided to both State/Central GENCOs and IPPs for EOI submission along with EMD & non-refundable processing fee. As a part of EOI submissions, benefits envisaged (in Rs.) are required to be submitted by State/Central GENCOs and IPPs.

*Note: In terms of linkage rationalization methodology of MOC dated 15.05.2018, the linkage rationalization of State/Central GENCOs shall be taken up first.*

**Linkage Rationalization of State/Central GENCO(s)**

- a. **Preparation of proposed draft Rationalized Matrix based on correctly received EOIs-**

The draft Rationalized Matrix based on valid EOIs submitted by State/Central GENCO(s) shall be prepared. Draft Rationalized matrix shall be examined by action group comprising of officials from CIL, CEA and Railways within 30 days from the date of preparation of draft rationalized matrix. Based on the recommendation of Action Group, the proposed Rationalized Matrix shall be prepared.

- b. **Publication of proposed Rationalized Matrix in CIL website-**

The proposed Rationalized Matrix would be placed in CIL Website for 15 days for seeking comments of the concerned GENCO(s). Based on the comments received, matrix would be updated and finalized with competent approval. For requests, not implementable, owing to production, operational or logistical constraints, the GENCO(s) shall be accordingly informed. In such cases, EMD will be refunded to the consumer.

- c. **Publication of approved Rationalized Matrix-**

The approved final Rationalized matrix would be placed in CIL website. The amendments in the FSA on account of rationalization shall have to be completed by GENCO(s) within 3 months from the date of the publication of final rationalized matrix. Within 30 days of the signing of FSA at new source, the EMD shall be refunded in terms of illustration given above.

If any GENCO fails to sign the FSA at the new source within 3 months, the quantity for which rationalization was done, shall be deemed as lapsed and corresponding forfeiture of EMD shall be made in such cases.

*Post uploading of approved final rationalized matrix in respect of State/Central GENCOs on the website of CIL, process of linkage rationalization in respect of IPPs shall be taken up.*

#### **Linkage Rationalization of Independent Power Producers**

- a. The EOIs submitted by IPPs shall be sent to CEA for calculation of Savings on account of linkage transfers. Based on the calculation of savings indicated by CEA, Draft Rationalized Matrix shall be prepared at CIL level.
- b. Within 30 days from the date of preparation of draft rationalized matrix, the same shall be examined by action group comprising of officials from CIL, CEA and Railways keeping in view of the savings indicated by CEA. Based on the recommendation of Action Group, the proposed Rationalized Matrix shall be prepared.
- c. The proposed Rationalized Matrix would be placed in CIL Website for 15 days for seeking comments of the concerned IPP(s). Based on the comments received, matrix would be updated and finalized with competent approval. For requests, not implementable, owing to production, operational or logistical constraints, the IPPs shall be accordingly informed. In such cases, EMD will be refunded to the consumer.
- d. The approved final rationalized matrix in respect of IPPs shall be placed in CIL Website. The amendments in the FSA due to linkage transfer, including submission of Supplementary/amended PPA duly approved by the Appropriate Regulatory Commission will be required to be completed by IPPs within seven (7) months of circulation of final approved rationalized matrix.
- e. Within 30 days of the signing of FSA at new source, the EMD shall be refunded in terms of illustration given above.
- f. If any IPP fails to sign the FSA at the new source within 7 months, the quantity for which rationalization was done, shall be deemed as lapsed and corresponding forfeiture of EMD shall be made.



**COAL INDIA LIMITED**  
**MARKETING & SALES DIVISION**

**RATIONALIZATION OF COAL LINKAGES**

**NOTICE INVITING EXPRESSION OF INTEREST FROM STATE/ CENTRAL GENCOS**

**Annex-1**

This has reference to policy guidelines issued by Ministry of Coal vide their letter dated 15.05.2018 (copy enclosed) for rationalization of coal linkages in pursuance to which plant-wise Expression of Interest is hereby invited from interested State/ Central Gencos in the format placed below. The duly filled in Expression of Interest may be sent by e-mail to [hodfsa.cil@coalindia.in](mailto:hodfsa.cil@coalindia.in)

**LETTER HEAD OF THE STATE/ CENTRAL GENCO**

**Date:**

**EXPRESSION OF INTEREST IN RATIONALIZATION OF COAL LINKAGES BEING CONDUCTED BY CIL/SCCL AS PER MOC'S POLICY GUIDELINES DATED 15.05.2018**

Particulars	
Name of the State/ Central Genco	
Name of the Plant	
Location & Address of the Plant	
Unit-wise Capacity (in MW)	

Existing Linkage			
Coal Company	Coalfield**	Linked Quantity (ACQ in Mt)	Grade/ Range of Grades

Despatch Details (2019-20)								
Coal Company	Coal Source	Distance (in km)	Average Cost* (in Rs./t)	Despatch in 2019-20 (in Mt)				
				Rail	Road	MGR	Belt/Rope/Other	Total

Linkage Rationalization Desired									
From			To				Transfer Details		
Coal Company	Coalfield**	Grade/ Range of Grades	Coal Company	Coalfield**	Mode	Grade/ Range of Grades	Minimum Order Quantity desired to be transferred (in Mt)	Reduction in Average Cost* (in Rs./t)	Benefit Envisaged (in Rs.)

**NOTE:**

\* Average Cost would comprise of Coal Price and Transportation Cost

\*\* Applicable only in case of SECL & MCL; Korea Rewa & Korba/Mand-Raigarh in case of SECL and Ib/Basundhara & Talcher in case of MCL

**SIGNATURE & SEAL OF AUTHORIZED OFFICIAL**

**Enclosure: As above**

**General Manager (M&S)**

**DATA FROM ORIGINAL LINKAGE (Data to be provided by IPP)**

**ANNEXURE- II**

TABLE - A							Net Station Heat Rate (kCal/kWh) as approved by appropriate commission.
Name of IPP		Existing Linkage		Quantity after Desired Rationalization			
Name of the Plant		Coal Company	ACQ (Tonnes)	Coal Company		ACQ (Tonnes)	
Location & Address of the Plant		EC1		DC1			
Unit wise capacity (MW)		EC2		DC2			
		EC3		DC3			
		EC4		DC4			

Data to be filled as per the above tables separately for each of the plant for which desired rationalization

TABLE - B											
Coal Dispatched to the IPP, Payments made for Coal and transportation during 2022-23											
Coal Source/Subsidiary Company	Coal Dispatched/loaded from (Name of Siding)	Grade of Coal	GCV (Mid point) (kCal/kg)	Quantity of Coal Dispatched (Tonnes)	Total Kcal [D*E]	Weighted Average GCV (SUM (F) /SUM (E))	Cost of Coal paid including taxes (Rs./ton)	Wighted Avg Price of Coal (Rs./ton) (SUM (E*H)/SUM (E))	Distance from Plant (IPP) to Coal Siding (Kms)	Corrospounding Freight as per FOIS (Rs./ton)	W.Avg Transportation Cost (Rs/ton) (SUM (E*K)/SUM (E))
A	B	C	D	E	F	G	H	I	J	K	L
Source-1	S-1					GCV <sub>o</sub>		P <sub>o</sub>			To
	S-2										
	...										
	..										
	S-n										

**Disclaimer:**

The information contained in this Request for Submission of Expression of Interest for rationalization of coal linkages for Independent Power Producers(IPP) “**Request for Submission of EOI**”) in reference to the direction issued by Ministry of coal Vide letter no.23011/79/2014-CPD/CLD (Vol-III) -Part (2) dated 16.1.2023 regarding rationalization of linkages for Independent Power Producers. In terms of the provisions of the methodology of the process as per item no. 3 in line with the MoC letter dated 15.5.2018.

**“The one-time process of calling for requests from the IPP for linkage rationalization shall be undertaken jointly by CIL, SCCL and CEA in a transparent manner”.**

*This Request for Submission of EOI is neither an agreement nor an offer by CIL to the IPPs desiring Linkage rationalization.*



No. 23011/79/2014-CPD/CLD  
Government of India  
Ministry of Coal

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New Delhi, the 15<sup>th</sup> May, 2018.

To

1. Chairman/Mng.-Director,  
Coal India Limited,  
Coal Bhawan, New Town,  
Rajarhat,  
Kolkata – 700 156.
2. Chairman/Mng.-Director  
Singareni Collieries Company Limited,  
Singareni Bhavan, Red Hills, PB. No.18,  
Khairatabad PO, Hyderabad,  
Telangana – 500 004

Subject: Methodology for Linkage Rationalization for Independent Power Producers (IPPs).

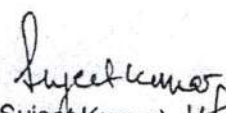
Sir,

.....

I am directed to refer to this Ministry's O.M. of even no. dated 18.07.2017 constituting new Inter-Ministerial Task Force (IMTF) to rationalize the linkages of the Independent Power Producers (IPPs). The IMTF has suggested to prepare a draft Base Paper on Methodology for Linkage Rationalizations for IPPs.

2. The Competent Authority has approved Methodology for Linkage Rationalization for IPPs a copy of which is enclosed. CIL/SCCL is requested to take immediate necessary action to implement the methodology accordingly.

Encls. As above.

  
(Sujeet Kumar) 15/5/18  
Under Secretary to the Govt. of India.

Copy to :

- i) Shri Aniruddha Kumar, Joint Secretary, Ministry of Power, Shram Shakti Bhawan, New Delhi.
- ii) Shri H.S. Bajwa, Executive Director (Coal) Ministry of Railways, Railway Board, Rail Bhawan, New Delhi.
- iii) Shri P. Bali, C.O. (Ports), Ministry of Shipping, Transport Bhawan, New Delhi.
- iv) Shri Vivek Goyal, Chief Engineer, Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.
- v) Shri Alok Saxena, Consultant (MPAS), Central Electricity Authority, Sewa Bhawan, R.K. Puram, New Delhi.



Copy also to :

- i) PSO to Secretary (Coal)
- ii) Sr. PPS to Additional Secretary (Coal)
- iii) PPS to JS (RKS)
- iv) PS to Dir (CLD)

Sujeet Kumar  
15/5/18

### **Methodology for Linkage Rationalization for Independent Power Producer (IPPs)**

1. Coal linkage rationalization shall be an exercise in which the coal linkage of a Thermal Power Plant (TPP) of an Independent Power Producer (IPP) may be transferred from one Coal Company to another based on the coal availability and future coal production plan of the coal company. The underlying objective behind the exercise shall be to reduce the landed cost of coal due to reduction in transportation cost and cost of coal. The reduced landed price of coal shall lead to savings, to be reflected in cost of power generated, and these savings shall be passed on to the buyers of power through a transparent and objective mechanism.  
This exercise shall be voluntary on the part of the TPPs. The exercise aims to reduce the distance by which the coal is transported, thus, easing up the Railway infrastructure for gainful utilization for other sectors..
2. The coal companies shall ensure that all the implementable requests of linkage rationalization for State/Central Gencos are implemented in an objective and transparent manner before this linkage rationalization exercise for IPPs is undertaken.
3. The one time process of calling for requests from the IPP for linkage rationalization shall be undertaken jointly by CIL, SCCL and CEA in a transparent manner.
4. This linkage rationalization shall be considered only for IPPs having linkages through allotment route. The IPPs having linkages obtained through auction process shall not be eligible for rationalization under this scheme. Swapping of linkages with coal sourced through auction or imports shall not be permissible under this exercise.
5. The IPPs participating in the linkage rationalization shall state the Minimum Order Quantity (MOQ) for which the linkage rationalization shall be considered and their preferred mode of transportation after the linkage rationalization.
6. The cost savings on account of linkage rationalization shall be calculated as per the below mentioned calculation sheet provided by CEA.

	Original Linkage	Rationalized Linkage
Base price of coal (Rs/tonne)	Po	Pr
Gross Calorific Value (Kcal/kg)	GCVo	GCVr
Linkage quantity (tonnes)	Qo	Qr = (GCVo*Qo)/GCVr
Distance for transportation (in KM)	Do	Dr
Total Transportation cost (Rs)	To = f (Do, Qo)	Tr = f (Dr, Qr)
Cost savings (Rs)	(To-Tr) + (Qo*Po-Qr*Pr)	

7. The calculation sheet for transportation cost savings due to linkage rationalisation of IPP, as mentioned at 6 above, may be taken as base formula for

*Supriya Kumar*  
15/5/18



calculating the cost savings due to change in transportation distance and change in GCV of linkage coal. This formula shall be made available in public domain and the IPPs which are ready to pass on this per unit cost savings to the discoms/buyers may apply for linkage rationalisation request with the coal companies. The coal companies shall consider the requests of the concerned IPPs subject to availability of coal from the company. The IPPs approaching the coal companies shall give an undertaking that the cost savings as calculated based on the formula shall be passed on to the discoms/buyers through a supplementary agreement which shall be approved by the appropriate Electricity Regulatory Commission. The price adjustment shall be done on an annual basis. The grade of coal supplied by the coal company under the existing linkage shall be taken as the midpoint of the GCV linkage which has been quantified by CCO in the existing linkage. The distance from which the coal was dispatched under the existing linkage shall be the weighted average distance of the coal supplies made to the IPP during the preceding financial year.

8. The Fuel Supply Agreement (FSA) of the rationalized source from any coal company would be signed/implemented only after the appropriate Electricity Regulatory Commission approves the supplementary agreement.

9. In cases where there are rationalization requests of more than one IPP from the same source and the coal availability at that source cannot meet the entire request for linkage rationalization, the IPP for which the cost savings are the highest shall be given preference. In case, the cost savings for two or more IPPs are same, then the coal quantity shall be distributed amongst the different IPPs in proportion to their linked capacity.

10. The Cost Plus Mines are for dedicated consumers and the pricing is accepted by the consumers. The pricing depends on a number of factors and subject to review. The pricing policy for Cost Plus Mines is different from that of other coal mines. Any IPP drawing coal from WCL under Cost Plus Agreements from cost plus mines shall be excluded from the purview of rationalization under this scheme.

11. The Thermal Power Plants having linkages through road shall not be allowed to participate in the rationalization because these power plants are already at a closer distance. After linkage rationalization, it may so happen that power plants which were earlier moving coal through rail may move coal through road. In such a situation the coal transportation charges by rail from the new source shall be considered for the purpose of calculation of savings.

12. Any dispute as and when it arises would be resolved as per the provision of the Arbitration and Conciliation Act.

13. With regard to rationalization to be applied only when there is actual production of coal (not on the basis anticipated production) and that swapping of linkages between two sources cannot be claimed as mandatory. It is stated that rationalization will be carried out only on the basis of availability of coal during the fiscal and future expected availability as per Coal Company's production plan.

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Sujeet Kumar  
15/11/18

**No. 23011/79/2014-CPD(Vol.III)-Part(2)**  
**Government of India**  
**Ministry of Coal**

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Shastri Bhawan, New Delhi

16<sup>th</sup> January , 2023

To

Chairman cum Managing Director,  
Coal India Limited, Coal Bhawan,  
New Town, Rajarhat, Kolkata - 700156

**Subject: Linkage Rationalization for Independent Power Producers**

Sir,

I am directed to refer to the methodology for Linkage Rationalization for Independent Power Producers (IPPs) issued by Ministry of Coal vide letter no. 23011/79/2014-CPD/CLD dated 15.05.2018. In terms of the methodology, Coal India Limited has conducted two rounds of linkage rationalization. The second round of linkage rationalization was conducted by Coal India Limited pursuant to the directions of Ministry of Coal vide letter of even no. dated 12.03.2020 to commence the next round of linkage rationalization in terms of the methodology dated 15.05.2018 (copy enclosed). Keeping in view the benefits of linkage rationalization, Coal India Limited is requested to commence further rounds of linkage rationalization in terms of the methodology dated 15.05.2018.

*Encl : as above.*

Yours faithfully,



(Hitlar Singh)

Under Secretary to the Government of India

Copy to:

Director (Marketing), Coal India Limited, Coal Bhawan, New Town,  
Rajarhat, Kolkata - 700156



No.23011/79/2014-CPD (Vol.III)-Part (2)

Government of India

(भारत सरकार)

Ministry of Coal

(कोयला मंत्रालय)

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Shastri Bhawan,  
New Delhi, the 26<sup>th</sup> April, 2023

To

The Director (Marketing),  
Coal India Limited,  
Coal Bhawan, New Town, Rajarhat,  
Kolkata

**Subject: Linkage rationalization for Independent Power Producers**

Sir,

I am directed to refer to Coal India Limited letter no. CIL/M&S/Power/64 dated 06.02.2023 on the subject mentioned above and to say the following:

- i. Methodology dated 15.05.2018 for linkage rationalization are broad guidelines issued by Ministry of Coal based on the recommendations of IMTF. Detailed modalities / procedures for implementing the methodology are worked out by the coal companies. Therefore, keeping in view the past experience that most of the earlier rationalization requests of IPPs could not be implemented due the IPPs not furnishing the amended PPAs or not coming forward for signing of the modified FSAs for implementation, Coal India Limited may take a decision at their end, as deemed appropriate, regarding calling for EMDs from the bidders during the EOIs considering its commercial interests.
- ii. Vide letter of even no. dated 16.01.2023, Coal India Limited was requested to commence further rounds of linkage rationalization in terms of the methodology dated 15.05.2018. Therefore, Coal India Limited may conduct the rationalization exercise on a regular basis, for which the frequency may be decided by Coal India Limited, on the basis of availability of coal (present & future).
- iii. Further, communication regarding linkage rationalization inter se Coal India Limited & SCCL shall be issued shortly.

Yours faithfully,

*Subject Kumar*  
(Subject Kumar) 26/4/2023

Under Secretary to the Government of India  
Tele. No. 011-23384112 / email – sujeet.kmr@nic.in

Copy to:

Chairman-cum-Managing Director, Singareni Collieries Company Limited, Singareni Bhawan, Red Hills, PB No. 18, Khairatabad, Hyderabad, Telangana – with the request to commence further rounds of linkage rationalization in terms of the methodology dated 15.05.2018 for linkage rationalization for IPPs.