Non-regulated Sectors Oppose E-auction of Coal Linkages

Players from the non-regulated sectors including cement, iron and steel, sponge iron, aluminium and fertiilisers have objected to the Centre's move to introduce auction for coal linkages.

They have appealed to the Centre not to shift in haste to Supplier Controlled Ascending Market Clearing Auction methodology from the present system of coal allocation through Standing Linkage Committee.

As per the Supplier Controlled Ascending Market Clearing Auction methodology, the prices are increased till demand-supply equilibrium is established. Coal India Ltd (CIL) is expected to open a separate e-auction window exclusively for non-regulated power sectors with a quantity of 4 million tonne.

An inter-ministerial committee has sought suggestions and objections on the new method as it believes that there is no justification of providing coal at a price less than the market price to non regulated power sectors because the market is not regulated and the price of the final product is determined by the market forces.

This also provides a non-level playing field within the non-regulated sector in favour of those having linkages vis-a-vis those not having such linkages.

Industry sources told the e-auction methodology will be implemented after the collection of data with regard to sector wise supply demand position.

Confederation of Indian Industry (CII) has suggested proportionate allocation of coal across different end use sectors and consumers which should be based on demand supply gap and transportation availability. To assure investors of coal availability, year wise coal supply for different sectors from different fields be declared for next three to five years.

According to CII, the proposed methodology of auction may lead to unsustainable price discovery as demand for coal is much ore than the availability and also because Coal India is the only supplier in the market.

Further, Cement Manufacturers Association argued the present fuel supply agreement system be continued and the implementation of proposed market based allocation mechanism be only done after development of infrastructure like port and railway to facilitate movement of coal from mines/ports in an cost effective manner.

The Association suggested that government may shift to e- auction methodology after the indigenous production would be adequate to meet the ever rising demand.

The Sponge Iron Manufacturers Association said sponge iron sector should not be clubbed with cement and captive power producers (CPP) sectors. Coal mines of high grades be exclusively reserved for iron and steel sector as coal is a feed stock used to reduce iron ore unlike other sectors where it is used as heating fuel. Besides, Railways need to accord same priority to the sponge iron plants in allocation of rakes as is given to steel plants.

Moreover, the Indian Captive Power Producers Association fear that the auction and market based allocation will help and serve purpose of coal consumers within the close vicinity of auction pit heads and far away consumers will be deprived and never be able to get coal through this process. According to the Association, all CPPs be kept in one basket and pegged at par with power generation category with the creation of quota for them.