Mahanadi Coalfields Limited
(A Subsidiary of Coal India Limited)
A Mini Ratna Company

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N O T I C E

Policy Guidelines regarding supply of coal under FSA/MOU from Mine Specific Source has been revised by CIL vide letter No.CIL/S&M/47252(New Pol)/157 dt.25.02.11. The same is appended below.

This is for information of all concerned.

General Manager (S&M)

Distribution:

1. *Dy.GM, MCL, Kolkata.*
2. *Notice Board, MCL HQ*
3. *MCL Website.*

POLICY FOR SUPPLY OF COAL UNDER FSA/MOU FROM MINE-SPECIFIC SOURCE

1) *A mine with annual production capacity of 2.5 million tonne or more would qualify to be considered for mine specific source subject to availability & feasibility for supply from such sources.*

2) *Only those consumers having requirement of coal from the mine specific source of 1 million tonne or more would be considered for supply from such identified sources.*

3) *The mine should not sell more than three-fourth of its production to any single consumer and it should cater to other consumers too. In case of any deviation, the same should be approved by the Subsidiary Board on case to case basis with detailed justification.*

4) *Supply from mine specific source for the specified quantity would be covered under a side MOU which will form an integral part of FSA for supply of coal for the total ACQ. Such MOU will have a tenure which will be co-terminus with the term of the FSA or life of the mine, whichever is earlier.*

5) *A cost benefit analysis will be worked by the supplying subsidiary company to assess the net benefit accruing to consumer in the following manner:*

   i) *The company will at the first instance determine the basket of mines from which coal could have been supplied to the consumers under a normal FSA. While determining such mines net availability of coal should be taken into consideration. Further the mines located at the maximum distance from the consumer plant should be given higher priority for the purpose of this exercise.*

ii) *The costs involved in supply of coal from the above basket to the consumer shall be compared with the cost of transport of coal from the specified source under consideration.*

iii) *The difference between the two costs shall be the net benefit to the consumer from the mine specific supply. Such benefit should be equitably shared between the consumer and the producer and the same shall be expressed as a percentage of the notified price.*

iv) *In no case this benefit to the producer should be set at less than 10% of the notified price to take care of the additional risk involved in supplying coal from a particular mine under the penalty clause.*

6) *Such supply from mine specific source to a consumer would be considered normally for consumers located near pit-head and who build their own infrastructure for captive transportation like MGR, Belt, Ropeways etc. Necessary support and assistance in this regard would be provided by the concerned subsidiary company. The captive mode of transport would ensure avoidance of transportation of coal by trucks in the coalfields are thus ensuring eco-friendly mode and also reducing burden on the Indian Railways' system to carry additional coal by rail.*

7) *Supply of coal from mine-specific source to consumers located away from coalfield taking coal by rail like Power Utilities or other large consumers would be considered provided the consumer creates its own captive siding near the specific mine and own infrastructure for transportation of coal from specific mine by captive mode like Belt, Ropeways to its own siding for supply of coal under FSA/MOU.*

8) *Supply from mine specific source may be offered to both existing as well as new consumers taking supply under FSA. Each case, however, will be considered individually on its merit and decision taken by respective Subsidiary Company Board.*

9) *The above guideline for supply of coal from mine specific source shall, however, not be applicable to coal supply (a) under existing FSA from specific sources in terms of earlier linkage/commitment & (b) from cost plus projects under Cost Plus Agreement.*