Comments on the Draft Coal Exchange Rules, 2025

Prayas (Energy Group) *14th October 2025*

On 16th September 2025, the Ministry of Coal published the draft Coal Exchange Rules, 2025 and invited public comments on the same.

The establishment of the Coal Exchange is a welcome initiative, and could contribute to better resource utilisation, sector innovation and safeguarding of consumer interests. Given the wide ranging impacts of the Coal Exchange, the regulation of such a platform is crucial and will impact the effective functioning of the exchange. The draft Rules introduce the Coal Controller Organisation (CCO) as the authority to register and regulate the Coal Exchange. The draft Rules also introduce some positive measures such as ensuring public process before finalisation of key Rules and Regulations and mandating transparency in the decisions of the CCO.

The following inputs from Prayas (Energy Group), a long-time proponent of a regulated coal exchange, are towards further strengthening the independence, transparency and effectiveness of the CCO as the proposed regulator of the Coal Exchange:

1. Ensuring independent operations from the regulator:

The CCO has, thus far, functioned as the operational arm of the Ministry, predominantly dealing with statistical and administrative roles. With the draft Rules, it is proposed that the CCO simultaneously operate as the market regulator. Given that the CCO has been proposed as the regulator as empowered by the latest amendment to the MMDR Act, it is difficult to establish institutional independence of the Regulator– both from the Ministry and from the CCO's remaining functions. The biggest actors in the coal sector are public sector entities, who will also participate in the exchange, making it necessary to ensure that the Regulator is structured and empowered to operate independently.

The draft document proposes the introduction of such independence at least in aspects of finances through Para 5. Para 6 further states states that "*Officers and staff of the CCO dealing with affairs of Coal Exchange(s) and connected matters shall not be involved in any other work of the office of CCO,* ***as far as possible****"****[Emphasis added]***. While the draft document does require separation and independence of at least some functions in the operation of the CCO as the regulator, it is aspirational and does not allow CCO to be a completely independent regulator. .

There is precedent of other energy sectors empowering the independent functioning of regulatory bodies by setting up regulating entities through separate Acts, such as the The Petroleum and Natural Gas Regulatory Board Act, 2006 and The Electricity Regulatory Commissions Act, 1998 (and Electricity Act, 2003), for the PNG and electricity sector respectively. Thus, a separate Act would provide the statutory backing required for the CCO to function as an autonomous independent, but accountable, Coal Regulator. The finalisation of such an Act should be subject to widespread public consultation.

In the absence of a dedicated Act, there should be clear functional separation between the regulatory and administrative/statistical functions of CCO. The arm of the CCO operating as the market regulator should have separate leadership, budget heads, and staff dedicated only to the

function of market regulation. Internal protocols to address issues such as oversight of regulatory operations, funding, and conflict of interest must be introduced as part of these Rules, in addition to mandating transparency in all regulatory activities of CCO. Such separation of functions and stipulation of transparency is necessary to encourage competition and inspire confidence in the various exchange operators and market operators from the public and private sectors, that the regulator would be fair and unbiased.

2. Requiring trade of all approved contracts to be on the Exchange

Para 9 of the draft document states that "*The participation in the Coal Exchange is voluntary in nature*". This indicates that, while some transactions are expected to be carried out on the Coal Exchange, non-transparent, bilateral deals for coal procurement are also possible. Given that all fuel costs are passed on to the consumer – particularly in the power sector, which is the largest consumer of coal, it is necessary to have transparency in price discovery of coal. In addition to weaknesses in price discovery, allowing voluntary participation will also subdue market liquidity and dampen transparency.

Instead, coal procurement through any contract or product that has been approved for trade on the Coal Exchange must necessarily be required to be only through the Exchange. For instance, if standard contracts for spot and short-term sale and procurement of coal have been approved for trade on the Exchange by the regulator, then all sale and procurement of spot and short-term coal must occur only on the Exchange.

The CCO can approve and introduce different standard contracts gradually. Thus, it may begin with, say spot contracts (which are already traded over an electronic exchange), and gradually expand to other contracts such as short-term contracts, seasonal contracts etc. before eventually also including long-term contracts.

Towards truly realising the benefits of the Coal Exchange, it is also necessary that public sector coal producers are also encouraged to participate on the platform.

3. Mandating transparency in Regulator operations

The draft document requires that the CCO submit a quarterly report to the Central Government, which would include details of all proceedings held and policies introduced in the relevant time period.

The operations of the coal regulator will have wide-spread implications on not only the coal and related sectors, but also on the end electricity consumer. This makes it necessary that the Coal Exchange regulator be mandated to prepare and publish a quarterly report highlighting the proceedings and policies relevant to the time period, in the public domain.

Such transparency is all the more required if the CCO is institutionalised as an independent organization not under the Ministry of Coal.

4. Regulations by CCO critical

Para 4 of the draft document states that the Regulations to be issued by the CCO "*shall be issued after circulating draft Regulation for public consultation and conducting hearing of claims and objections*". It also requires that a Statement of Reasons be appended to the draft and final Regulations.

These regulations are envisaged to cover crucial aspects of Coal Exchange operations, and will significantly influence the efficacy, competitiveness, and transparency of the Exchange. Given this impact, the proposed clause in Rule 4 is a good provision and should be adhered to.

We request the Ministry to accept this submission on record and to allow us to make any additional submissions on the matter, as needed.

Prayas (Energy Group)
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