

Comments on the Draft Coal Exchange Rules, 2025

Prayas (Energy Group)

15th January 2026

The Ministry of Coal published the revised draft Coal Exchange Rules on 19th December 2025 and invited public comments on the same.

The revised draft Rules propose several positive measures such as inviting public consultation on applicant registration, requiring demutualisation, and mandating transparency and information dissemination from the coal exchange. The coal exchange could contribute to better resource utilisation, sector innovation, and coal price discovery, subject to effective and clear regulation of the platform and its operations.

Prayas (Energy Group) has been a long-time proponent of a regulated coal exchange. Towards further strengthening the independence, transparency and effectiveness of the proposed coal exchange(s), we have the following inputs:

1. Clear definition of the Authority

The previous iteration of the draft Coal Exchange Rules, published on 16th September 2025, focused on the role of the Coal Controller Organisation (CCO) as the proposed regulator of the coal exchange. The current draft document, dated 19th December 2025, also recognises the CCO as the appointed Authority to register and regulate coal exchanges to be established in the country.

However, while the September 2025 draft Rules included details about the role of the CCO as a regulator, the current iteration is devoid of any clarity on the setting up and operations of the Authority. Given that this is a crucial role, that will significantly impact effective operation and oversight of the coal exchange, the Coal Exchange Rules should include a separate chapter outlining the role and responsibility of the Authority.

The dedicated chapter should clearly detail the appointment, responsibilities and functioning of the Authority. The chapter should also include provisions to ensure the functional separation between the regulatory and administrative/statistical functions of CCO. 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.

Para 14 (4) of the draft document states "*Officers and staff of the Authority dealing with affairs of Coal Exchange and connected matters shall not be involved in any other work of the office of the Authority, as far as possible*". While this introduces some separation and independence in the operation of the Authority, it is aspirational and does not ensure completely independent regulation.

Our submission to the September 2025 iteration of the draft Rules included elaboration on the need for independent and transparent regulation of the coal exchange, and is attached as Annexure 1 to this submission.

The suggested chapter on the Authority should also contain elaboration and clarification of the functions of the regulator that are mentioned in the current draft Rules, such as that in para 14 and para 18(5). Para 14 of the draft document discusses the 'Appointment of Experts by the Authority', however the role, responsibility, and accountability for these experts is not elaborated in the proposed draft. Similarly, para 18(5) discusses the separation between any employee of the coal exchange and any member/client/participant of the coal exchange. Such separation should also extend to the members of the Authority.

Thus, we request the Ministry to:

- Include a dedicated chapter in the Coal Exchange Rules clarifying the appointment, responsibilities, and operations of the Coal Exchange Regulator, ensuring independent and autonomous functioning of such Authority

2. Clarity in provisions for coal quality in Contracts

The draft document discusses coal quality briefly in para 5(b) and 6(3), in the context of Scheduling and delivery and Contract settlement conditions, respectively. Additionally, in para 2(xiv) coal sampling agency is defined, and para 2(xvii) and (xviii) defines contractual deviations and delivery point. These terms are central to considerations of coal quality and contract settlement. However, despite their definitions being provided, there is no relevant elaboration of these terminologies or their consideration in approved Contracts, as per the proposed Rules.

Coal quality has been a long-standing contentious issue, and could result in delays and litigation. Towards pre-empting this challenge, the Coal Exchange Rules should mandate that each contract approved by the Authority must have provisions for sampling, quality assurance, treatment/allowance of coal quality slippages, penalties, and dispute management. It should also include clarity on the role and operation of the coal sampling agency, the treatment of contractual deviations, and the consideration of the delivery point.

Thus, we request the Ministry to:

- Mandate that each contract approved by the Authority has provisions for sampling, quality assurance, treatment/allowance of coal quality slippages, penalties, and dispute management

3. Transparency and information dissemination

The proposed Coal Exchange Rules include several positive measures to ensure transparency. This includes details of potential coal exchange applicants (Para 10), operational and summary trade information (Para 28) and details and status of registered grievances (Para 34), which are required to be made publicly available on the Authority/coal exchange/MoC website.

To further strengthen this good practise, the following information should also be made available in the public domain:

- a) Para 18(10) requires that the names of persons appointed as Directors shall be submitted to the Authority. Additionally, this should also be published and updated on the website of the corresponding coal exchange.
- b) Para 21(1) requires the coal exchange to submit details of its Members to the Authority. A list of Members in each coal exchange must be made publicly available on the coal exchange website.
- c) Para 22(2) mandates the submission of details regarding other fees charged by the coal exchange to the Authority, before commencement of exchange operation. To ensure transparency and uniformity in charges, such "other charges" should also be made publicly available on the coal exchange website.
- d) Para 31 states that the coal exchange shall submit an annual audited report to the Authority by 30th September every year. This report should also be made available on the coal exchange website.
- e) Para 37 details the intervention by the Authority including direction to penalise, temporarily debar, or cancel the membership of defaulting/non-compliant Members. The Authority should make a list of such defaulting Members available on its website, with regular updates.

Towards ensuring consistent data availability across exchanges, the Authority should provide a standard format, as an annexure to the Rules, for all requisite data disclosure.

Thus, we request the Ministry to:

- Ensure that the information suggested in section 3 of this submission is made available in the public domain, in an accessible format, and is updated regularly
- Provide standard formats for data disclosure by the coal exchanges as an annexure to the Rules

4. Caution in allowing multiple exchanges

It is understood from the draft document that multiple coal exchanges may be allowed to operate by the Authority. While such consideration is not inherently an issue, it is important to note that the coal exchange is nascent and without requisite participation from bigger players, market liquidity will be a likely concern.

There is precedence in the electricity sector of early market splitting on account of multiple exchanges, and the consequent development of a market monopoly. Recently, the Central Electricity Regulatory Commission has considered price coupling to address some of the concerns arising on account of such market splitting, though there are concerns about this too.

Given the existence of such a precedent, the Coal Exchange Rules should include provisions at an early stage to address concerns of liquidity and market splitting, to avoid complications in the future.

Thus, we request the Ministry to:

- Be cognizant of the challenges that may arise with multiple coal exchanges in operation and be prepared to deal with them

5. Clarification on ownership of the coal exchange

Para 16 of the draft document details the ownership structure of the coal exchange, pertaining to the shareholding patterns of equity holders in the exchange.

It is not clear why the provisions in para 16(1) only apply to the members of the coal exchange and not the clients as well. Given that large coal producers or buyers may also participate in the coal exchange as clients, not extending ownership limits to clients could lead to skewed influences and ownership.

Clause 15 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 includes provisions to ensure ownership limits on both exchange members and clients, so as to avoid extraordinary trade influences and ownership from both members and clients on the power exchange. The Coal Exchange Rules should also incorporate similar provisions to ensure fairness in the ownership structure of the coal exchange.

Thus, we request the Ministry to:

- Amend para 16 (1) and (2) of the draft Rules as follows:

"16. Ownership structure of Coal Exchange

(1) The shareholding pattern for equity holders in Coal Exchange shall be as follows:

- (i) No member **or client** of a Coal Exchange, shall at any time, directly or indirectly, either individually or together with associates, affiliates or with persons acting in concert, acquire or hold more than five percent of the paid-up equity share capital in the Coal Exchange; and
- (ii) At no point of time all the members **or clients** of a Coal Exchange shall in aggregate, directly or indirectly themselves or together with associates, affiliates or with persons acting in concert for any of them, acquire or hold more than forty-nine percent of the paid-up equity share capital in the Coal Exchange.

(2) No person, other than a member **or client** of a Coal Exchange **who are subject to limitations as per sub-rule 1 of this Rule**, shall at any time after five years of authorization of the coal Exchange, directly or indirectly, either individually or together with associates, affiliates or with persons acting in concert, acquire or hold more than twenty-five percent of the paid-up equity share capital in the coal Exchange. Such persons shall be required to divest their shareholding in excess of twenty-five percent within five years of authorisation of Coal Exchange."

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)

Place: Pune

Date: 15th January 2026

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)

Place: Pune

Date: 14th October 2025