Prayas (Energy Group)

Captive Coal: Blocked?

Prayas (Energy Group)
www.prayaspune.org/peg
energy@prayaspune.org

April 2017

Summary

After the Supreme Court cancelled the allocations of 204 captive coal blocks in September 2014, the government responded swiftly. It issued an ordinance, later passed as the Coal Mines (Special Provisions) Act and reallocated 67 blocks by March 2015. This note reviews the current status of the reallocated blocks. The following are the main findings:

- Out of the 35 Schedule II captive blocks that have been successfully reallocated for captive production, only 10 are producing as of November 2016. Production from the reallocated blocks in 2015-16 was only around 40% of what it was at the time of cancellation and the production in 2016-17 is only marginally better than 2015-16.
- The allocation of 22 Schedule II blocks to the power sector was expected to lead to a reduction of consumer tariffs. However, there is strong evidence of systemic inertia to undertake tariff revision with only one state issuing the necessary directive to its regulatory commission. Tariffs have been revised only for two out of four power plants that are using coal from allocated captive blocks.
- Successive rounds of captive block allocations have drawn diminishing interest from bidders and applicants. This reducing interest is also reflected in the limited interest shown by state government companies in commercial mining and by coal consumers in obtaining coal linkages. This lack of interest has defeated the ministry's efforts to deepen competition in the sector and raises questions about the proposed move towards commercial mining.
- While the current auctions regime is more transparent than the erstwhile regime, there is still a significant amount of relevant information, such as details of winning end-use plants, diversions and arrangements for coal supply, etc., which has not been published.
- There are certain legal and regulatory concerns regarding the allocation of blocks to government companies without following due process of inviting applications, the determination of tariff for power generated from allotted coal blocks, as well as confusion regarding the fate of the coal block following the sale of the associated end-use plant.

These findings raise serious doubts about the government's claim that "the auction of coal mines has been universally hailed to be a success, which has not only ensured that there is no disruption in the economy in the wake of the order of the Supreme Court, but have also set new benchmark for efficiency and transparency".

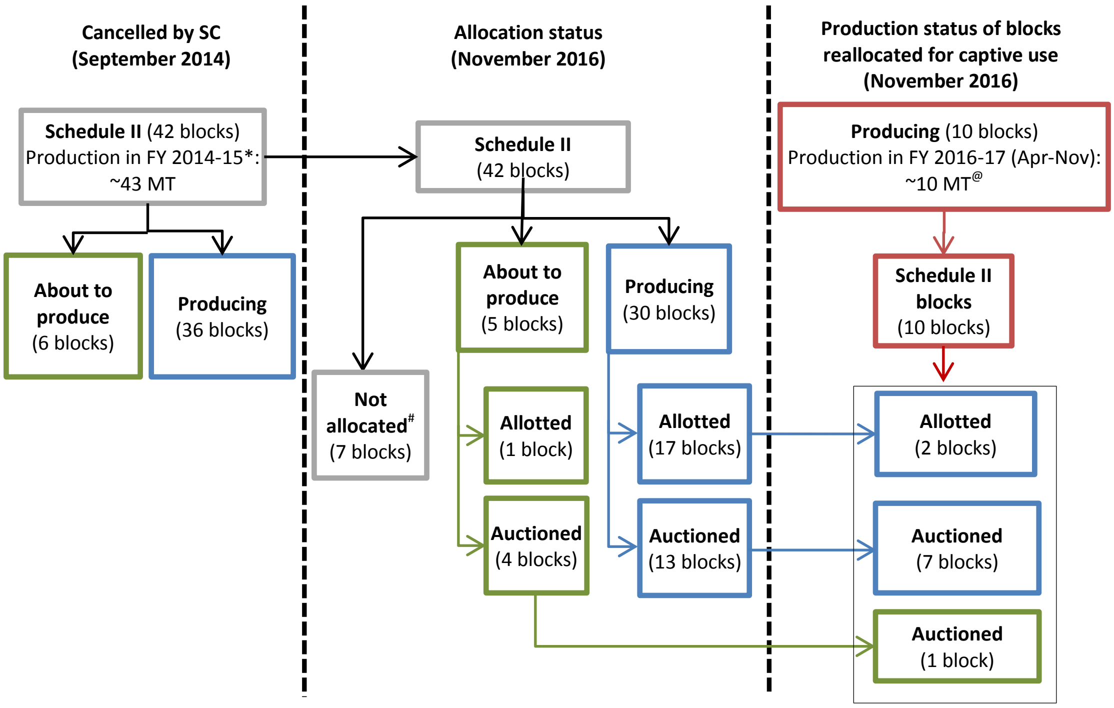
1. Introduction

In September 2014 the Supreme Court cancelled the allocation of 204 captive coal blocks. In response, the central government quickly promulgated the Coal Mines (Special Provisions) Ordinance in October 2014. By March 2015, the ordinance had been used to allocate[1] about 67 coal blocks to various government and private sector companies and the ordinance had been passed as the Coal Mines (Special Provisions) Act or CMSPA. This hectic pace of activities was justified on the grounds that it was imperative to minimise disruption in production from the cancelled blocks. In addition, the government also claimed that its process of allocations would achieve other objectives such as[2]:

- Providing a rich revenue stream to coal-bearing states through the new allocation process,
- Reducing electricity tariffs through adoption of a reverse bidding methodology for the power sector,
- Enhancing competition in the sector through an open bidding process and
- Providing a transparent mechanism for coal block allocations.

This brief note reviews the status of captive blocks two years after the CMSPA was enacted and the bulk of allocations under it were made.

Figure 1: Status of Schedule II blocks cancelled by the Supreme Court



Source: Various documents from the Ministry of Coal and Infraline database.
* The effective date of cancellation of Schedule II blocks was March 31, 2015.
# 'Not allocated' means that the seven blocks (six producing and one almost producing block) were not allocated for captive coal production but given to a 'custodian', which was CIL in most cases.
@ This production figure does not include the production from custodian blocks since it was not available. Only two custodian blocks, Gare Palma IV 2 & 3 with CIL were operational in 2015-16, producing 2.278 MT of coal.

[1] Allocations may be undertaken either through *auctions* (to private and government companies) or *allotments* (to government companies).
[2] (PIB, 2015a; PIB, 2015b)

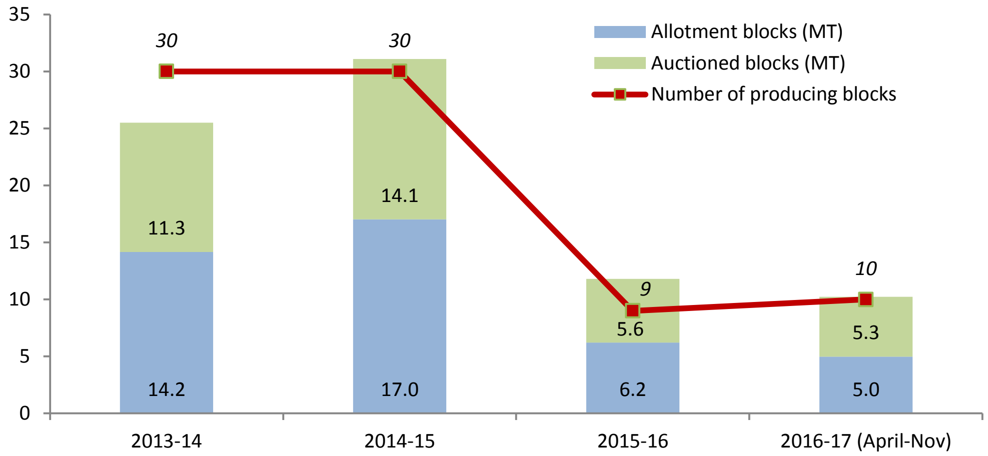
2. Status of captive blocks and revenue to states

The government stressed the importance of not disrupting production from captive blocks while urging Parliament to enact CMSPA. The Coal Minister stated in Parliament that if the producing coal blocks were to close down "thousands of workers would lose their jobs and become homeless. This country already has a shortage of coal. This will make it worse. We will have to increase import and adversely affect our current account deficit. It will increase prices of cement, steel, etc."[3]

Of the captive coal blocks whose allocations were cancelled by the Supreme Court, 42 blocks which were producing coal or 'on the verge of commencing production' were together classified as Schedule II blocks under CMSPA. Figure 1 summarises the allocation and production status of these blocks. As of November 2016, 35 of the cancelled Schedule II blocks had been successfully reallocated to end-users for captive coal production. This note focuses on the status of these 35 blocks.

While 30 of these 35 blocks were producing coal at the time of cancellation, as of November 2016, only ten Schedule II blocks were producing coal, with most of them producing at much lower levels than before. Figure 2 presents the production for the last four years from the 30 blocks that were successfully re-allocated. Production from these blocks came down from 31 MT in 2014-15 to only 12 MT in 2015-16, a fall of more than 60%.

Figure 2: Yearly production from cancelled Schedule II blocks allocated for captive consumption



Source: Coal Directory and Provisional Coal Statistics for various years.
Note: The effective date of cancellation of Schedule II blocks was March 31, 2015. Hence the figures up to 2014-15 indicate the situation before the Supreme Court judgement and the subsequent figures indicate the situation post cancellation.

Of the 30 reallocated blocks, 13 were auctioned and 17 were allotted. The 13 auctioned blocks produced 14 MT in 2014-15. In 2015-16, only 7 of these recommenced production and could produce only 6 MT. The 17 allotted blocks had produced 17 MT in 2014-15. After re-allotment, only two blocks recommenced production in 2015-16 and could produce only 6 MT. That only two allotted blocks are producing as of November 2016 is particularly perplexing since of the 17 producing blocks allotted to government companies, 15 were re-allotted to the prior allottee which should have ensured minimum disruption in production from these blocks.

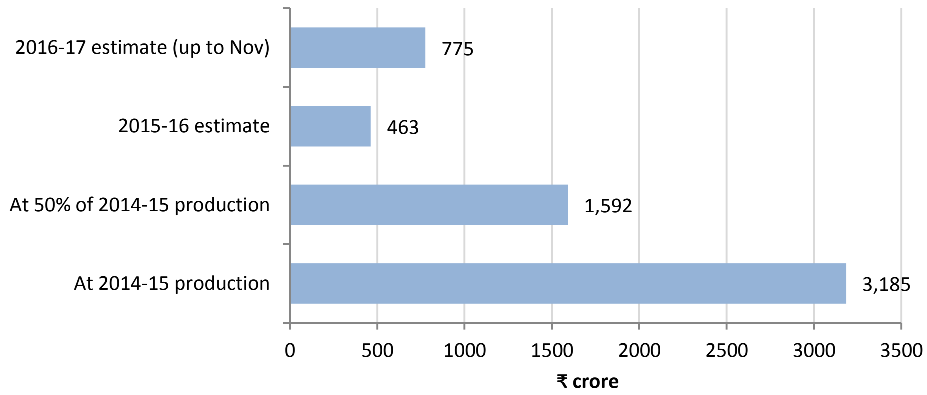
[3] (Lok Sabha, 2015). The statement was made in Hindi and has been translated by the authors.

While it is not entirely clear why production has fallen so steeply, various potential causes include aggressive bidding to obtain captive blocks, weak demand outlook for power, cement etc. combined with increased production of CIL and SCCL, bureaucratic delays regarding clearances and permissions[4], and on-going court cases.

The government has claimed that around ₹ 2.4 lakh crore of revenue would accrue to coal bearing states over the life of the coal blocks from the proceeds of allocations made until December 2015[5]. However, since this revenue is directly dependent upon the production of coal from these blocks, the meagre production implies that revenue to states so far has not been significant. The estimated revenue to states based on available block-wise production data and bid premiums / reserve price indicates that if production had not been disrupted and maintained at pre-cancellation levels, and even if no new block had begun production, the states would have received ₹ 3,185 crore annually. Even with a 50% fall in production from pre-cancellation levels, the states would have still received ₹ 1,592 crore annually. In contrast, the total estimated revenue flow to states based on actual production was only around ₹ 463 crore in 2015-16 and around ₹ 775 crore up to November 2016[6] (See Figure 3). Thus, the sharp fall in production from captive blocks has undermined the government's claims of huge revenue gains to coal-bearing states.

The rapid allocation of coal blocks (and the ambitious production targets given to CIL) was also expected to reduce India's coal import burden, as stated by the Minister to Parliament in 2015. However, in spite of an impressive increase in production from CIL and SCCL (of around 43 MT), Indian coal imports fell only by around 18 MT in 2015-16 due to the reduced production from captive coal blocks.

Figure 3: Estimated annual revenues to states from mining proceeds under different scenarios



Source: Coal Directory, Provisional Coal Statistics and Infraline database.

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[4] (MoC, 2017a)

[5] (PIB, 2015b). The central government expects a total of ₹ 3.44 lakh crore from the 73 blocks it had allocated till December 2015, but this amount includes royalty and upfront payment in addition to the proceeds from mining. This revenue claim by the government has been contested by others (Sethi, 2015; PEG, 2015).

[6] The revenue for eight months of 2016-17 is higher than the revenue for the entire year 2015-16 because of significantly ramped up production from two coal blocks with high bid premiums, namely Gare Palma IV/4 and IV/5. The minister's statement in the Lok Sabha on March 16, 2017 (Lok Sabha, 2017) that the total revenue from auctioned coal mines up to January 2017 is about ₹ 1,748 crore is not directly comparable to our estimate as it includes other components such as upfront amount and royalty on coal production.

The government's objective of causing minimal disruption to production from producing captive blocks has not been met even two years after the passage of the CMSPA. Naturally, the revenue to states has also been lower than expected. One can perhaps surmise from this that the other aim, of preventing the loss of 'thousands of jobs', may also not have been met.

3. Consumer electricity tariffs

In addition to the revenue stream to states, the government estimated benefit to the tune of ₹ 69,000 crore for electricity consumers from the reduced tariffs of power produced from the 22 Schedule II coal blocks allocated to the power sector[7]. Typically, tariff revision takes place when the corresponding Electricity Regulatory Commission (ERC) acts either in response to a petition or *suo motu*. In addition, the corresponding government can issue a directive to the ERC to undertake tariff revision. Though the central government requested state governments back in April 2015 to issue such directives to their respective state ERCs, however, it appears that 18 months later only one state (Madhya Pradesh) among those likely to procure power generated from the allocated blocks has issued such a directive[8].

Only five Schedule II coal blocks allocated to four power sector companies produced coal in 2015-16 and 2016-17. The cases of all five power sector blocks are discussed below.

- **Amelia North:** Jaiprakash Power Ventures Ltd. (JPVL) won the auction for the Amelia North block with its Nigrie thermal plant as its end-use plant (EUP). It is selling power to Madhya Pradesh under a competitively bid PPA and also has bid to sell power to Uttar Pradesh. Upon receipt of a directive to do so from the state government, the Madhya Pradesh Electricity Regulatory Commission revised tariffs downwards for this plant: variable charges were cut from ₹ 1.17 / kWh to ₹ 0.48 / kWh, saving around ₹ 222 crore for consumers[9]. However, the regulator considered the quality of coal from Amelia North to be lower (4200 kcal/kg) than the quality as declared by the ministry (G8, 5050 kcal/kg). If the better coal quality were considered, the energy charge could have been even lower (around ₹ 0.42 / kWh as per our estimates). It is also understood[10] that JPVL has submitted a bid to the U.P. Power Corporation Ltd. (UPPCL) to supply 450 MW of power under a long-term power purchase agreement (PPA) from the Nigrie plant quoting a variable charge of ₹ 0.605 / kWh, which is roughly consistent with what is expected (see Table 1).
- **Sarsatalli:** This block was auctioned to CESC with Budge Budge as its designated EUP. This plant has a cost-plus PPA with the distribution arm of CESC. Though the West Bengal government issued no directive, the West Bengal Electricity Regulatory Commission initiated *suo motu* action

[7] Estimates of expected tariff reduction are from (PIB, 2015b). Tariffs are expected to reduce because, according to the letter issued by the central government to CERC on tariff revisions (MoP, 2015), only the amount bid to win the block (plus the fixed rate of ₹ 100 / tonne) can be used as the coal price to calculate the variable charge for power produced from auctioned blocks and contracted under PPAs. Since all bidders won power sector blocks by bidding zero (and an additional premium), a coal price of only ₹ 100 / tonne should be used to compute the variable charge of power produced from these blocks. For allotted blocks, a coal price of ₹ 100 / tonne plus the actual mining cost is to be assumed. Other elements of the variable charge such as coal handling, transport, taxes and duties are considered at actuals.
[8] Based on responses received to applications filed under the Right to Information (RTI) Act from five states likely to use power from the allocated Schedule II blocks. These five states are Madhya Pradesh, West Bengal, Rajasthan, Karnataka and Punjab.
[9] (MPERC, 2016).
[10] Infraline database

and reduced the variable cost of power from this power plant by ₹ 0.30 / kWh, saving around ₹ 157 crore for consumers.[11] However, the CAG audit of block allocations has noted that coal from the Sarsatalli block was being 'diverted' to CESC's 'other plants'[12]. The names of these other plants and the fate of their tariffs remain unknown.

Table 1: Bids by JPVL and GMR Chhattisgarh in the August 2016 UPPCL bidding

Generator	Plant capacity (MW)	Capacity offered (MW)	₹ per unit					
			Fixed Charges	Other charges	Variable Charges	Total	Estimated variable charge according to CMSPA*	Difference
JPVL Nigrie	1320	450	2.76	0.59	0.61	3.95	0.60	0.00
GMR Raikheda	1370	500	2.19	0.63	1.23	4.05	1.08	0.15

Source: Infraline database.
* Estimate of variable charge based on authors' calculations.

- **Parsa East and Kanta Basan:** These blocks were allocated back to Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL) for the Kalsindh and Chhabra Power Stations, which have cost-plus PPAs with the Rajasthan distribution companies. However, it appears that neither has the state government issued any directive for redetermination of tariff nor has the regulatory commission taken any *suo motu* steps in this regard.[13]
- **Talabira I:** The auction for this block was won by GMR Chattisgarh for its Raikheda power plant. However, this plant does not seem to have any long or medium term PPAs. Thus, though this block has been producing coal, no consumers have benefited from reduced tariffs. In such a situation, the coal mining agreement stipulates that all the coal[14] mined is expected to be sold to CIL at the fixed rate of ₹ 100 / tonne. It is not clear if this is being followed. It is also understood that the Raikheda power plant has submitted a bid for 500 MW at a variable cost of ₹ 1.23 / kWh in the latest round of power procurement by UPPCL (see Table 1). This bid appears to be around ₹ 0.15 / kWh more than 'expected' as per our estimates, i.e. if the variable charge was computed using a coal price of only ₹ 100 / tonne as required.

Consumers have received limited tariff related benefits from the blocks allocated to the power sector, with some questions surrounding even those limited benefits. More worryingly, there is strong evidence of systemic inertia with almost no state directing the corresponding electricity regulatory commissions to undertake tariff revision in line with block allocations.

4. Competition and interest

Allocation of coal blocks through auctions and allotments was also intended to deepen the coal market, promote competition, discover the 'true value' of coal and pave the way for the gradual opening up of the sector. However, developments in the sector over the last two years suggest reducing competition and dwindling interest.

[11] (WBERC, 2016)
[12] (CAG, 2016)
[13] (RERC, 2016)
[14] All the coal mined, except that used for merchant generation which can be a maximum of 15% of the capacity linked to the block, is expected to be sold to CIL.

There have been four attempted rounds of auctions for captive coal blocks thus far. Table 2 summarises the competition for blocks across these four rounds. The first two rounds saw about eight bidders per block which indicates a reasonable, if not very high, level of competition.[15] The third round, held just five months later, saw a drastic fall in interest to an average of just 3 bidders per block. By the fourth round, interest had bottomed out with only 15 applications received for nine blocks on offer leading to the cancellation of the auction round. Though comparing the average closing bids across rounds may not be appropriate (due to differences in coal quality, infrastructure etc.), the steadily declining bids across rounds may still be another indicator of reducing interest.

Table 2: Average number of applicants and closing bid for auctioned blocks

Tranche	Month	Average # of bidders per block		Power (Average additional premium in ₹ / tonne)	Non-Power (Average closing bid in ₹ / tonne)
		Power	Non-Power		
I	Feb, 2015	9	8	636	2376
II	Mar, 2015	9	7	510	1676
III	Aug, 2015	-	3	-	900
IV	Jan, 2016	process cancelled due to too few applications (15 across 9 blocks on offer)			

Source: MSTC e-commerce website

Note: Average number of bidders is an average over all blocks, and includes blocks that received zero bids. Average closing bids are given only for the auctions that were completed, and hence, they are the average of blocks that received a final closing bid.

While auctions have fared poorly, the situation with allotments is even worse. There has been only one round of allotment where an open call for applications was made. In that round, there were only about 3 to 4 bidders per block, with about 8 blocks receiving just one application apiece, even though eligibility and evaluation criteria for allotments were much weaker than those for auctions. The tepid interest in allotments and reducing interest in auctions has resulted in the government not offering any more blocks for auctions since late 2015[16] and instead resorting to one-off allotments to specific government companies, rather than through an open call for applications. We understand that around 8 blocks have been allotted in this manner in 2016.

The lack of interest and competition is not limited to blocks being offered for captive consumption. In 2016, the Ministry of Coal (MoC) attempted to allot 16 blocks to state government companies for commercial mining. It did so by earmarking eight blocks for companies of 'host' states, i.e. the states in which the blocks are located, and eight blocks for companies of non-host states. Only two of the eight blocks offered to non-host states, received any applications at all – and they received just two applications each. It is telling that, though allocation to the host state was essentially guaranteed if they just chose to apply for the block, three host states did not put in any application.[17]

Another indicator of reducing interest in coal comes from the auction of coal linkages conducted by CIL for sectors other than power in 2016, based on a new policy from MoC. CIL conducted four rounds of linkage auctions across which it offered 78 linkage lots[18] to four end-use sectors, namely sponge iron, cement, captive power and others (excluding power). Of these, 14 lots (18%) received no bids at all. Of the 64 lots to receive bids, 43 lots (67%) did not receive any premium above the

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[15] Contrast this with the 69 applications received for the Fatehpur block or the 101 applicants for the Rampia and dip-side of Rampia blocks in the earlier regime when blocks were being given for 'free'.
[16] The government issued directions to auction a few blocks for captive consumption (except power) on March 30, 2017.
[17] Information obtained from MSTC website
[18] Each lot consists of a specific annual quantity of coal of a given quality that would be available from a specific mine and has to be transported by a specified mode.

base notified price and 17 lots (27%) received just one bid. The figures get worse if one considers sectors other than captive power. 26% of lots offered to sectors other than captive power received no bids at all, and of the lots that were bid for, 28% received only one bid and 88% did not get any premium. Table 3 presents these details.

Table 3: Responses to CIL's linkage auction rounds

End Use	# lots offered	# lots which received a bid	# lots which received a premium	# lots with only one bidder
Sponge Iron	18	12	3	3
Cement	15	11	1	6
Captive Power	24	24	16	1
Others	21	17	1	7
Total	**78**	**64**	**21**	**17**
Sectors other than captive power	**54**	**40**	**5**	**11**

Source: MSTC e-commerce website and response to an application under the RTI Act

The reduced level of interest in coal suggests that the demand outlook for coal is not bright. This is reinforced by the weak demand for the increased coal production from CIL and the demand projections made in the draft National Electricity Plan of the Central Electricity Authority[19].

The government's attempts to deepen competition in the sector have not succeeded as illustrated by the reducing number of takers for captive coal blocks, limited interest shown by state government companies in commercial mining and the weak response to coal linkage auctions for sectors other than captive power. To make matters worse, the outlook for coal demand does not look very bright.

5. Transparency of allocations

The government has claimed that the coal block allocations under the CMSPA were a "shining example of policy driven governance for developing graft free and transparent system"[20]. While these allocations are undoubtedly more transparent than the infamous allotments cancelled by the Supreme Court, such a comparison sets a rather low bar for transparency. Deeper analysis shows that the current allocations still leave much to be desired in terms of transparency. The following information has not been published despite being important and not commercially sensitive.

1. **Details of coal blocks for allotment:** Information about coal blocks identified for allotment to government companies, such as their reserves, grade and status of clearances was not published though the majority of the blocks and reserves were allocated through allotments than through auctions. Such information had been published for blocks that were auctioned. It is not clear if the information was not published for allotment blocks because they were to be awarded to government companies. However, it is important that information about all blocks offered be publicly available, irrespective of their intended beneficiaries, for two reasons. One, coal is a publicly owned, depleting natural resource and its allocation and use should be subject to public scrutiny, particularly when the allocation criteria themselves are fairly weak. Two, for blocks

[19] (CEA, 2016)
[20] (PIB, 2015a)

allocated to the power sector, such information is crucial to understand the determination of tariff for the power generated from such blocks. Therefore, citizens cannot engage effectively in the tariff determination processes as envisaged by the Electricity Act, 2003 without public availability of such information.

2. **End-use plants, arrangements and diversions:** No published information is available about the EUPs that were used to bid or apply for blocks, as well as those that eventually won blocks. Availability of this information is crucial for understanding issues such as the matching of EUP capacity and coal reserves, tariff implications for blocks allocated to the power sector and effectiveness of the allocation process. Similarly, no information is publicly available about 'arrangements' and 'diversions', if any, as permitted by the mining agreements. Surprisingly, the ministry did not provide us these details even in response to an application under the RTI Act. This information should be subject to public scrutiny to understand the impact on power tariffs and optimal coal utilization.[21]

3. **Status of blocks allocated:** The status of development and production from allocated blocks is not clear. Some information is occasionally available through sources such as minutes of meetings held to review the status of blocks, but these are also often partial. For example, the minutes of the December 2016 review meeting do not indicate the status of blocks such as Mandakini and Utkal C. It has since come to light that these blocks were under litigation and a recent Delhi High Court judgement has allowed the block winners to surrender their blocks without any penalty.[22]

In order to adhere to the highest levels of transparency in the coal sector, we suggest that the government should set up a single dedicated portal where all relevant information about all coal blocks in the country – whether allocated for captive consumption or commercial use, including existing allocations to government companies such as CIL and SCCL – is made publicly available and regularly updated.

Contrary to the government's claim of high levels of transparency, there is a significant amount of relevant information regarding coal block allocations which should be publicly available but has not been published.

6. Legal and regulatory concerns

There are certain legal ambiguities and concerns regarding the captive block allocations. Firstly, the CMSPA and associated rules (in particular, section 5 of the Act and rule 11 of the 2014 Rules) empower the central government to allot blocks to any government company (or its joint venture) according to the prescribed rules. Rule 11(5) requires the government to issue public notices seeking applications from which the successful allottee is chosen. However, it seems blocks have been allotted without following this process. Examples include Mandakini B (given to NTPC) and Utkal D and Utkal E blocks (given to NALCO).[23]

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[21] The relevance of arrangements and diversions to tariffs and lack of systems for it were highlighted in the CAG report (CAG, 2016), which states that some arrangements and diversions have been approved by the government.
[22] (Delhi HC, 2017)
[23] Allocation information compiled from MoC's monthly summaries for the cabinet.

Secondly, there is little clarity on how tariff for power generated from allotted blocks is to be computed. The letter from the central government to CERC[24] states that, for block allottees, the "Run of Mine cost of coal as per allotment" shall be used to determine the fuel cost and in addition they shall be "eligible to recover an amount of Rs. 100 per metric tonne". However, the allotment document and agreement do not define the term "Run of Mine cost of coal", leaving this term ambiguous. Assuming it to be the actual cost of acquiring the coal[25], if a block is reallotted to the prior allottee who is using it in a power plant with a cost-plus PPA (which is the case for almost all allotments so far), then effectively the fuel cost would actually *increase* by ₹ 100 / tonne for such power generation, thus defeating the objective of tariff reduction. Since all costs are pass-through, it is unlikely that the block owner would make any serious attempts to reduce the cost of acquiring coal leading to a tariff reduction.

Thirdly, some companies – private and government – that have been allocated blocks have sold or transferred their associated EUPs to others, or are in the process of doing so. RVUNL, which was allotted the Parsa East and Kanta Basan blocks, has transferred the Chhabra power station, one of the EUPs of these blocks, to NTPC. Reports indicate that GMR Chhattisgarh, which has won the Talabira I block, has assigned majority shares to its lenders and is also looking to sell its power plant. Jaiprakash Associates, which has won the Mandla North block, and Jaypee Cement Corporation Ltd. which has won the Mandla South and Majra blocks, plan to sell their assets which may not include the coal blocks and have approached the nominated authority on legal provisions in the matter.[26] It is not clear from the mining agreement what happens in all such cases where the EUP is transferred to another owner without transferring the coal block. Would the EUP continue to get coal from the block through an arrangement? Would the block owner use it in some other EUP through a diversion? What if its other EUPs do not satisfy the eligibility criteria? Does the MoC have any role in the process and does it have to approve the transfer of the EUP?

Finally, the coal block allocations have been the subject of much litigation. Over 70 different cases have been filed in courts around the country over issues such as the criteria to decide end-use of specific blocks, the compensation to be paid to former coal block allottees, the basis for rejection of some bids, and alleged modification of contractual terms after bidding. It is understood that orders in nearly 30 cases are still pending.[27] Such a high number of cases on such a wide range of matters further indicate that the coal block allocation process was undertaken hastily without thinking through the various ramifications. It is quite likely that this could have been avoided if the government had taken a more participative, deliberative and transparent approach to allocating blocks for captive consumption.

Certain legal and regulatory ambiguities remain unaddressed, especially with regards to the allocation of blocks to government companies and tariff determination for power produced from such blocks, as well as confusion regarding the fate of coal blocks once the associated end-use plant is transferred to another company.

[24] (MoP, 2015)
[25] Note that the coal is often acquired through a Mine Development Operator (as in the case Parsa East and Kanta Basan), in which case, the cost is defined by the contract between the two parties.
[26] Information about transfer of ownership of EUPs obtained from (GoR, 2017; PTI, 2017; MoC, 2017)
[27] Information about court cases obtained in response to an application under the RTI Act. As per our understanding, the government has won many of the cases which have been decided though some have gone against it (Delhi HC, 2017).

7. Conclusions

The Government has stated that "the auction of coal mines has been universally hailed to be a success, which has not only ensured that there is no disruption in the economy in the wake of the order of the Supreme Court, but have also set new benchmark for efficiency and transparency"[28]. Two years since the process of block reallocations began, these claims appear questionable to say the least.

Production from blocks that were producing at the time of reallocation has patently been disrupted, with production levels still less than half of what they were two years ago. In turn, this means that the revenue to states – one of the major selling points used by the government – has also been much lower than anticipated.

It had been pointed out earlier[29] that consumer tariffs may not reduce as foreseen by the government since there was no clarity on who is to initiate the necessary action to realise tariff reduction. Indeed, consumer tariffs have reduced only for two power plants and there are certain questions surrounding even those cases. Most states have not even issued the requisite directive to their respective regulatory commissions and it is not clear if the government is keeping track of developments in this regard.

After the initial enthusiasm inspired aggressive bidding to acquire blocks, interest in coal blocks has fallen dramatically, with the last round of auctions having to be cancelled for lack of sufficient interest. Subsequent allotments to government companies have taken place without calling for applications, but with the government choosing the beneficiaries in a throwback to the earlier allocation regime.

While these allocations are more transparent than the infamous allocations cancelled by the Supreme Court, they are far from satisfactory as important information has not been published. There are also lingering legal and regulatory concerns around the manner of allotments, determination of tariff for blocks allocated to government companies and the transfer of EUPs associated with allocated blocks in addition to the many cases filed in this regard.

Based on this evidence, it is perhaps fair to conclude that the allocation of captive blocks cannot be "universally hailed to be a success". This, together with likely reduced demand for coal going forward, should give the government pause before forging ahead with new initiatives for the coal sector[30]. A more circumspect and comprehensive approach that duly factors in all relevant inputs is likely to be more appropriate at this point in time.

[28] (PIB, 2015b)
[29] (PEG, 2015)
[30] On 27th March 2017, the MoC published a discussion paper on allocating coal blocks for commercial mining and sought comments on it. This discussion paper does not appear to factor in the likelihood of reduced coal demand as forecast by CEA in its draft National Electricity Plan or indeed a statement by the Coal Minister himself who has said that India's coal reserves could remain unused (Singh, 2017).

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Abbreviations

CIL	Coal India Ltd.
CMSPA	Coal Mines (Special Provisions) Act
ERC	Electricity Regulatory Commission
EUP	End-use plant
JPVL	Jaiprakash Power Ventures Ltd.
kWh	Kilo-watt hour
MoC	Ministry of Coal
MT	Million tonnes
PPA	Power purchase agreement
RVUNL	Rajasthan Rajya Vidyut Utpadan Nigam Limited
SCCL	Singareni Collieries Company Ltd.
UPPCL	Uttar Pradesh Power Corporation Ltd.

Selected Publications of Prayas (Energy Group)

1 The Price of Plenty: Insights from 'surplus' power in Indian States (2017)
http://www.prayaspune.org/peg/publications/item/335.html

2 Comments on draft coal block allocation rules (2017)
http://prayaspune.org/peg/publications/item/334.html

3 Many Sparks but Little Light: The Rhetoric and Practice of Electricity Sector Reforms in India (2017)
http://www.prayaspune.org/peg/publications/item/332.html

4 Coal Block Allocations: Opportunity Lost, Chaos Gained? (2015)
http://www.prayaspune.org/peg/publications/item/312.html

5 Inputs to National Energy Policy (2015)
http://www.prayaspune.org/peg/publications/item/309.html

6 Exploring options for the Indian coal sector (2014)
http://prayaspune.org/peg/publications/item/289.html

7 Comments and feedback regarding the draft documents for auctioning coal mines under the Coal Mines (Special Provisions) Ordinance, 2014 (2014)
http://prayaspune.org/peg/publications/item/288.html

8 Largesse that wasn't: The story of coal shortages in India (2014)
http://prayaspune.org/peg/publications/item/267.html

9 Black and Dirty: the real challenges facing India's coal sector (2013)
http://prayaspune.org/peg/publications/item/191.html

Suggested citation: Prayas (Energy Group). (2017, April). *Captive Coal: Blocked?*