

New Year wish list for coal consumers

Hope linkage auction policy remains in cold storage

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Beginning of a new calendar is the time to reflect on the year gone by and to anticipate what is in store for us through the next 12 months.

The year gone by has silently brought major and pleasant changes in the fortunes of the coal industry.

Who could have imagined one year ago that there could be such a tectonic change in the fortunes of the coal industry? In December 2014, coal was almost the king. Coal India Limited (CIL) was refusing to get its act together. Production was static for the earlier two years. The huge power capacities which had been set up to cater to the power-hungry demands of the majority had raised a red flag as there was no possibility of getting coal from CIL. Imported coal was going through a period of uncertainty and high prices. The power sector raised its voice to the new government, stating that something had to be done to the coal industry to pull it out of the self-imposed rut.

The new government had been simultaneously presented with a Supreme Court judgement declaring most of the earlier allocations of coal blocks for captive use as null and void. For the coal consumer, the situation was like “jayen to jayen kahan?”

But one has to give credit to the new government which fastened its belt very fast and appointed two of its very best talents to the positions of Minister of Coal and New & Renewable Energy and Secretary Coal. With Piyush Goyal in the role of the former and Anil Swarup in the latter, the team got going on the task of setting the house in order at CIL so that the target of doubling production could be achieved.

Secondly, the process of auctioning of coal blocks in a transparent manner was initiated and seemed to have done very well in coming out with outrageous figures with extra bounty for the state governments.

CIL also got into the spirit under the new chairman who was willing to walk the talk to achieve newly set targets. The coal major increased its production by 7.5-10 percent.

Railways, always at loggerheads with the coal companies, also rose to the occasion and managed to move the extra production by providing additional rakes. As the story goes, the Minister of Coal with his Deputy, used to walk from Shastri Bhawan to Rail Bhawan every Monday and there would be a long session when problems would be thrashed out - something unheard of in history.

CIL also hastened the process of laying new rail lines to the new coalfields by formation of joint ventures with the Railways and state governments. CIL laid out a detailed blueprint for increasing its production from 500 million tons (mt) to 905 mt by 2020. The minister was bent upon on stopping import of steam coal except for the coastal power plants.

Actions on all fronts have brought about a qualitative change in the domestic coal scenario. For the first time, there is enough coal available and the power houses are saddled with stocks. Last year in November, there were 51 power houses on the critical list. Today, there are only 4.

However, it is learnt that power houses are unable to run at high plant load factor (PLF) because distribution companies (discoms) are not in a position to buy all the power that is produced. With accumulated losses of ₹325,000 crore, discoms were almost on the verge of liquidation. The government had finally decided to take the bull by its horn and introduced the Ujwal Discom Assurance Yojana (UDAY) whereby the discoms are given a carrot of one-time take-over of their losses by the state government and the stick

of continuance of further reduced prices in coal from coal companies only if they improve transit losses from 27 percent to 15 percent.

As consumers, what is our wish list for the future like? If Santa Claus were to appear one day and give us the luxury of asking a range of gifts from CIL and the Ministry of Coal (MoC), we would put them as follows:

- ◆ Sufficient coal should be made available, not only for the power plants, but also for the industrial consumers on the basis of old and new linkages and fuel supply agreements (FSAs). We will, as consumers, also have the option of not going for the e-auction as this category of coal is decidedly more expensive. We also hope good sense prevails with the MoC, so that the ingenious and outrageous idea of auction of coal linkages continues to remain in cold storage.
- ◆ We should also pay for the quality which we would get. The general feeling is that the quality of coal received is, by and large, 3-4 bands inferior to the declared grade for which the customer is paying. CIL has to do some soul-searching and take corrective action to downgrade some of the coal seams, more so, in the case of high grade coals. Days of over-charging for quality must end.
- ◆ Weighbridges at the coal companies have to be maintained much more faithfully so that they record the correct weight. In imported coal, there is never a problem in terms of weighing or quality. Why should there be a problem with domestic coal?
- ◆ The Railways' proposition for charging consumers for under-loading charges (idle freight) and overloading has no logic, as the consumer is sitting 1,500 km away from the mine and has no control over the quantity and quality loaded. Penalty, if any, should be imposed on who is loading, ie CIL, and not the consumer. We know, all wishes are not granted but, we, as consumers, would be more than happy if 70 percent of our wishes are granted. Good luck to all in their endeavour to realise that the consumer is king and not coal or the coal companies. ■

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