

Issues raised during Consumer meeting held on 26.03.2018

1. What is GCV based billing system?

It was explained that the GCV based billing system essentially comprises the following-

- a. Notified price of each grade will correspond to the mid-point GCV of respective grade band. The actual price will be determined based on the coefficient for each grade band corresponding to actual GCV variation. The illustrative examples were presented and **annexed**.
- b. The final price for all supplies will be determined based on actual sampling and analysis results carried out by third party/joint sampling/Seller, as the case may be.

2. Whether the taxes like royalty, DMF, Entry Tax & GST will be refunded in the case of grade slippage?

CIL collects taxes, levies and duties as per the prevailing law of the land. Coal companies have already started refunding GST along with base price of coal in case of credit notes.

3. Availability of adequate infrastructure at loading points.

It was explained by third party agency viz. CIMFR and QCI that they are well equipped and geared up to undertake sampling and analysis activities as per requirements. It was also explained that 521 MT (97%) for power and 29 MT (26%) for non-power supplies are already covered under third party sampling. Coal companies are also having adequate infrastructure for joint sampling, wherever it would be applicable. Still, infrastructure aspects are a process in which continuous upgradation will go on as per need.

4. What will be the timeline for issuance of debit/credit notes?

Coal companies will endeavor to issue debit/credit notes within seven days of finalization of analysis results including referee results, where applicable.

5. Concerns raised by power consumers about delay in CIMFR / Referee results.

CIMFR explained that by and large, timelines are being maintained by them and assured to avoid any slippage vis a vis SOP. It was also explained that more referee laboratories are in the process of empanelment by CIMFR to further expedite referee results.

6. Determination of GCV on ARB basis.

It was explained that the present method of GCV determination on equilibrated basis (60 % relative humidity & 40 degree Centigrade) continues in GCV based pricing, and the switchover from grade based pricing has no direct correlation with this aspect.

7. Interactive sessions and online information of analysis results/billing etc.

It was explained that IT enabled solutions like apps, portal and e-mail etc. will be increasingly used for disseminating analysis and billing related information to consumers quickly. It was also explained that coal companies will organize interactive sessions and provide a window where consumer grievances related to analysis result/billing etc. can be redressed.

8. What will be the implication of GCV based pricing on the rakes already booked under special forward auction?

Quantity pending under already concluded e-auction will continue to be supplied as per the provisions of the respective scheme(s).

9. What will be the modalities for sampling and analysis in case of non-power consumers.

In principle, non-power consumers drawing coal under any mechanism will have the option to choose either third party sampling (presently QCI and IIT-ISM have been empaneled) or to associate with Seller in joint sampling. It was clarified that in the event of Purchasers' inability or refusal to associate (where third party agency is also not chosen), the analysis results of the samples drawn by the Seller will be applied for commercial purpose.

10. Sampling in case of road dispatches.

It was explained that consumer-wise sampling is already in vogue for power sector supplies irrespective of mode. For non-power also, consumer wise sampling is applicable for supplies other than road mode.

In case of supplies by road to non-power sector (either linkage auction, FSA or e-auctions) one sample for each day from a source will be drawn. The methodology will be in line with the NRS linkage auction FSAs. Another single sample for a day may be drawn by the Seller for the purpose of joint sampling to be applied for those consumers who may not opt for Third Party.

It was also clarified that referee results would apply only to the consumers who go for challenge. However, when the result is challenged by the Seller, referee result would be applicable to all consumers.

11. EMD amount under e-auction.

The house was apprised that presently the EMD under e-auction schemes gets adjusted against coal value deposited as advance. However, with introduction of GCV billing, appropriate financial coverage would need to be introduced to ensure realization of differential amount of coal values based on analysis results, wherever applicable. Consumers agreed for introducing financial coverage in this respect. Various suggestions came forward (e.g. taking a BG or additional cash deposit/IRLC etc). Some consumers also stated that a single B.G. on annual basis covering all types of supplies to a customer may be adopted.

It was decided that CIL shall examine the issue in detail and appropriate mechanism will be notified in due course.

12. Applicability of GCV based pricing in coking coal.

It was explained that the GCV based pricing is being introduced for non-coking coal. The pricing for coking coal and washed coal/washery products will continue to be as per existing system.

Disclaimer:

The above are excerpts based on discussions during consumer meet held on 26.3.2018 and meant for information purpose only. For actual commercial and procedural aspects, relevant notifications, circulars etc. only will prevail.



GCV Based Pricing

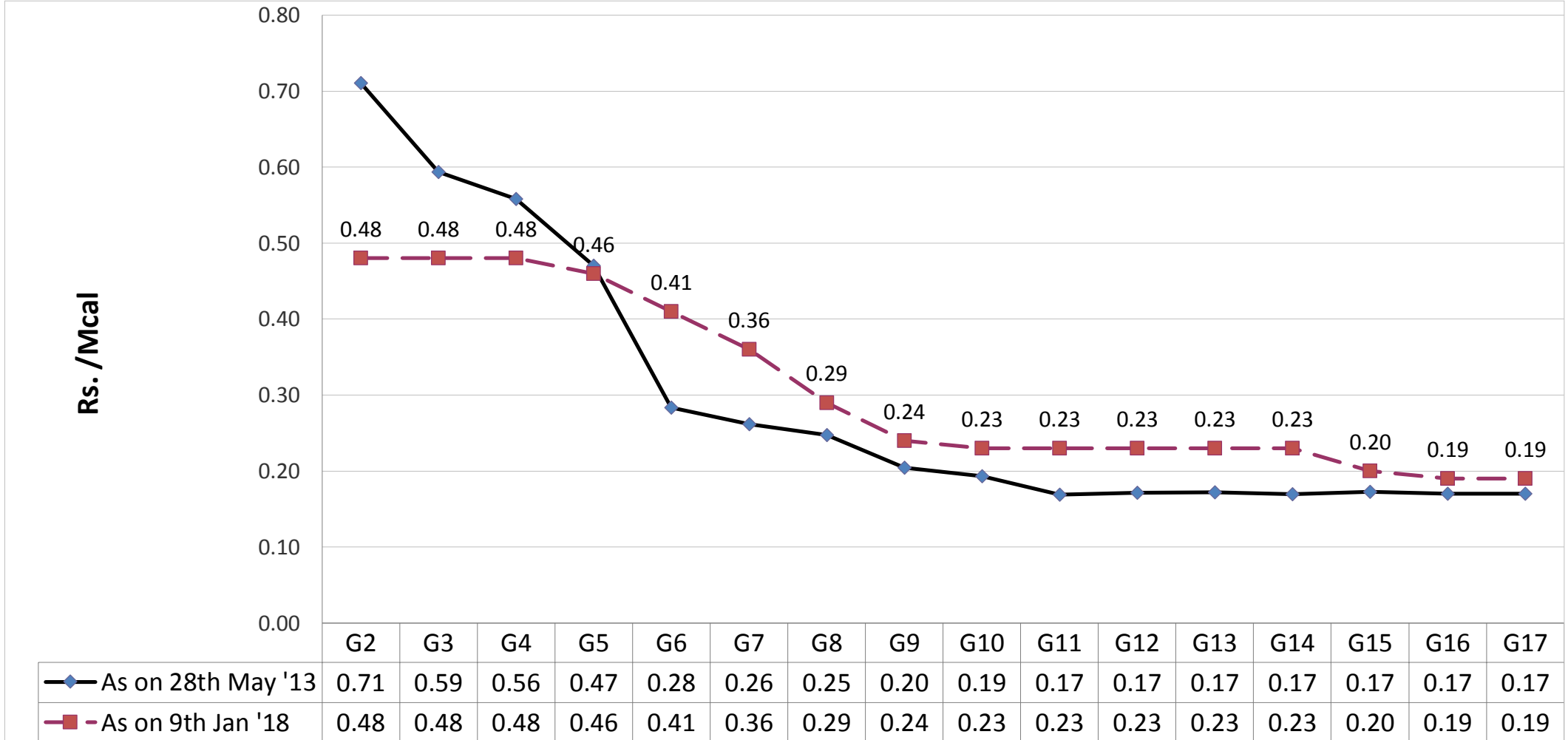


Coal Pricing Reforms

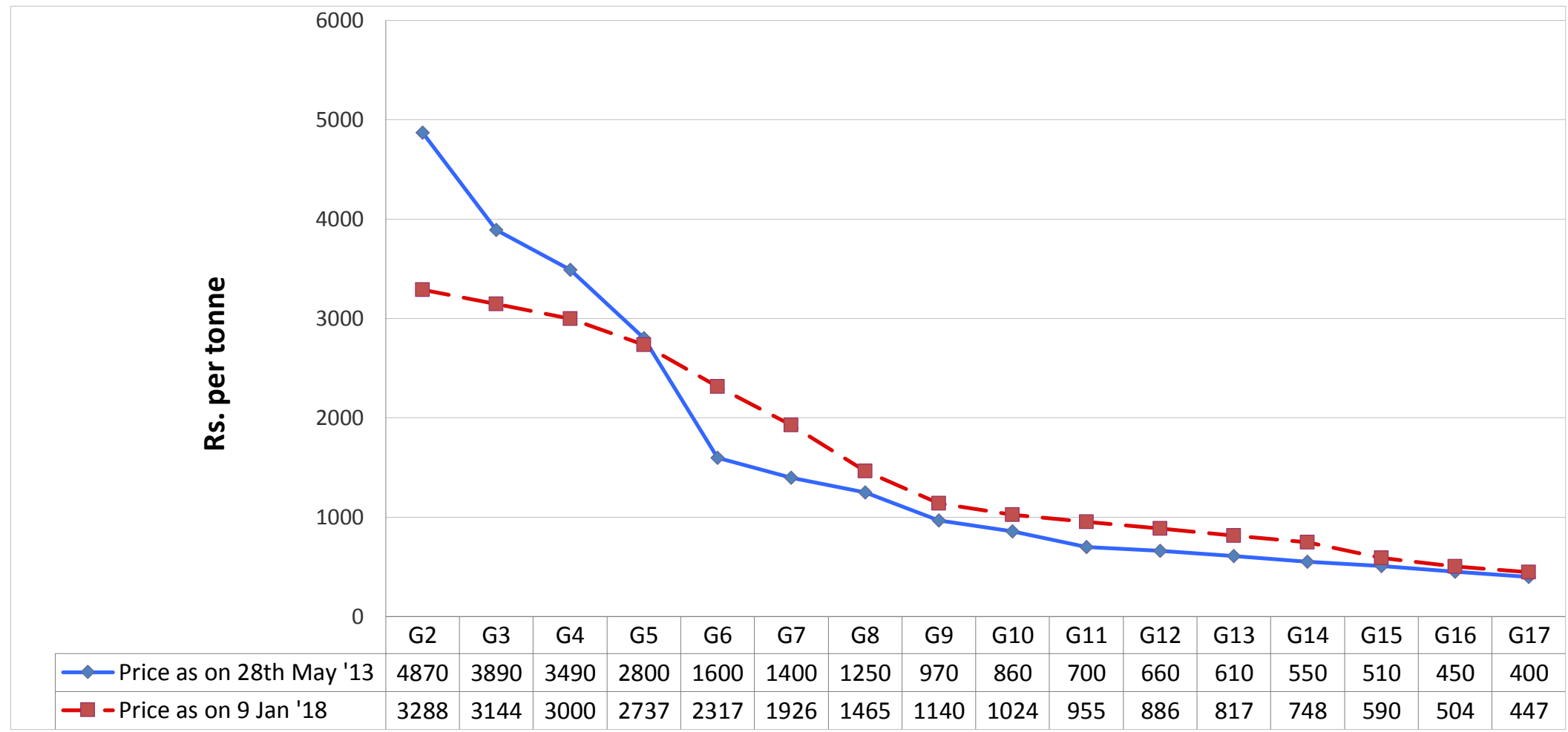
- Historically the price structure was highly skewed and distorted with inconsistent gaps between higher and lower grades.
- Rationalization of prices in May, 2016 and January, 2018 aimed at reviewing this price structure
- The price difference between higher and lower grades of coal was reduced
- Out of 17 grades, CIL has decreased the prices of 7 grades, price of 1 grade remained unchanged and 9 grades moderately increased.
- The gradient of decline in price per GCV from higher to lower grades was made more rational and linear , as shown below:

Grade	Co-efficient (Price/Mid-GCV) range		
	From May '13 to May '16	From June '16 to Dec. '17	Jan. '18 Onwards
G2-G17	0.71-0.17	0.50-0.20	0.48-0.19

Improvement in linearity in price per Mid-GCV after Price rationalization in January 2018



Linearization in Grade wise Price Per Tonne: Gaps between 2 grades reduced





WHAT IS PROPOSED GCV BASED PRICING?

- CIL has been notifying its coal prices in Rs./tonne.
- Coal sale bills to be raised on GCV (Kcal/Kg) basis with effect from 1st April'2018.
- GCV expressed in terms of Kcal/Kg **or** Mcal/tonne.
- Pit head Run of Mine (ROM) prices of all grades of non-coking coal will be expressed in terms of : Price co-efficient i.e. In **Rs./Mcal**
- Rs./Mcal stands for Rupees per million calories.
- The Rs./Mcal shall remain constant for every GCV falling in a particular grade.



BILLING UNDER GCV - BASED PRICING:

- a. Initial Bill raised on median GCV(or mid-GCV) of GCV range belonging to the declared grade .
- b. Price per tonne(Initial Bill) = mid-GCV * Rs./Mcal(declared Grade)
- c. Price per tonne(for actual GCV) =Actual GCV(ascertained as per the applicable modalities)*Rs./Mcal(applicable for the Grade within which the Actual GCV falls)
- d. The difference between the initial billing in (b) and the final amount payable as per (c) shall be adjusted by way of supplementary invoice or credit note as the case may be.



ILLUSTRATIONS

Case 1

Quality as per declared grade	Mid -GCV of Declared Grade (G-9)	4750	kcal/kg
Quality as per analysis	Analyzed GCV (Falls in G-10 grade)	4500	kcal/kg
	Price for G-9 in GCV based system	0.24	Rs./Mcal
	Price for G-10 in GCV based system	0.23	Rs./Mcal
	Credit Note to be issued for $[(0.24 * 4750) - (0.23 * 4500)]$	105.00	Rs./tonne



ILLUSTRATIONS

Case 2

Quality as per declared grade	Mid -GCV of Declared Grade (G-9)	4750	kcal/kg
Quality as per analysis	Analyzed GCV(Falls in G-11 grade)	4150	kcal/kg
	Price for G-9 in GCV based system	0.24	Rs./Mcal
	Price for G-11 in GCV based system	0.23	Rs./Mcal
	Credit Note to be issued for $[(0.24 * 4750) - (0.23 * 4150)]$	185.50	Rs./tonne

ILLUSTRATIONS



Case 3

Case 3			
Quality as per declared grade	Mid -GCV of Declared Grade (G-9)	4750	kcal/kg
Quality as per analysis	Analyzed GCV(Falls in G-8 grade)	5000	kcal/kg
	Price for G-9 in GCV based system	0.24	Rs./Mcal
	Price for G-8 in GCV based system	0.29	Rs./Mcal
	Debit Note to be issued for $[(0.24 * 4750) - (0.29 * 5000)]$	310.00	Rs./tonne

ILLUSTRATIONS



Case 4			
Quality as per declared grade	Mid -GCV of Declared Grade (G-9)	4750	kcal/kg
Quality as per analysis	Analyzed GCV(Falls in G-7 grade)	5250	kcal/kg
	Price for G-9 in GCV based system	0.24	Rs./Mcal
	Price for G-7 in GCV based system	0.36	Rs./Mcal
	Debit Note to be issued for $[(0.24 * 4750)-(0.36*5250)]$	750	Rs./tonne

ILLUSTRATIONS



Case 5			
Quality as per declared grade	Mid -GCV of Declared Grade (G-9)	4750	kcal/kg
Quality as per analysis	Analyzed GCV(Falls in G-9 grade)	4700	kcal/kg
	Price for G-9 in GCV based system	0.24	Rs./Mcal
	Credit Note to be issued for $[(0.24 * 4750)-(0.24*4700)]$	12	Rs./tonne