
Indian coal ministry approves cancellation of 25 captive power plants

Sunday, 05 Jul, 2009

According to press release, the ministry of coal has approved cancellation of linkages of 25 Captive Power Plants. It has also in 7 other cases, appropriate directions have already been issued for signing Fuel Supply Agreement whereas in the remaining 19 cases, CIL has been asked to place their names on their website and also send letters asking them to give detailed project status within 15 days failing which linkage will be cancelled without any further notice. The 25 Captive Power Plants where cancellation has been approved were to generate around 1292 MW to electricity and involved coal requirement of 5.844 million tonne per annum.

The decision follows recent exercise undertaken by the CIL on the directions from the ministry of coal to review the old cases of Captive Power Plants having linkages where coal was not being drawn nor any Fuel Supply Agreement was signed.

As per the extant policy, a large number of CPPs were given linkages of coal and were required to set up their plants and enter into FSA for supply of coal. However, it was noted that despite considerable lapse of time a large number of them did not set up the power plant despite having been accorded coal linkage by the ministry.

CIL reviewed the status of these projects after seeking response from the concerned linkage holder and, thereafter, made certain recommendations regarding continuity or otherwise of the linkage in respect of CPPs under review.

It may be recalled that under the New Coal Distribution Policy announced in October, 2007 it has become mandatory for the new consumers having Letter of Assurance to meet all the stipulated milestones within specified period failing which the Commitment Guarantee is liable for enforcement and LOA may also be withdrawn. Therefore, there is emphasis on close monitoring of the commissioning of the project for which LOA has been extended. This monitoring is an on going process for eliminating the non-serious developers and supporting serious developers in setting up their project for which LOAs has been accorded. Ministry of Coal has recently recommended a large number of LOAs for the 11th Plan Priority Power Projects with certain special milestones. The progress of these project and achievement of milestones would be monitored closely and non fulfillment of milestones may lead to enforcement of Commitment Guarantee and withdrawal of LOA.

For more news visit at www.steelguru.com