

# SHAKTI Policy

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**Source:** *PRS India*

Methodology for auction of short term coal linkages under the SHAKTI policy released.

## Background

The Ministry of Power had constituted a **High-Level Empowered Committee** to resolve issues related to stressed thermal power assets in July 2018. The Union Cabinet approved some of the Committee's recommendations in March 2019. **One of the recommendations of the Committee was to provide short-term coal linkage to power plants that do not have power purchase agreements (PPA). This short-term linkage will be provided under the SHAKTI policy**

## About SHAKTI scheme

- The SHAKTI (**Scheme for Harnessing and Allocating Koyala Transparently in India**) policy was approved in May 2017 with the intent of better allocation of coal to present and future power plants.
- **It aimed to phase out the present Letter of Assurance and Fuel Supply Agreement (FSA)-based regime, and instead introduce a more transparent and competitive coal allocation policy.**
- The policy also offered a potential solution to the lack of coal linkages to 17 power plants with a capacity of about 15,000 MW, which were part of the 34 power plants (of about 40,000 MW) declared as stressed.
- **The policy was amended in March 2019** specifically to aid stressed projects based on the recommendations of a High-Level Empowered Committee.

**Key features of the methodology are:**

- **Eligibility:** All power plants, except captive power plants, which have at least 50% untied capacity (generation capacity without PPAs) will be eligible to participate in the auction for short-term linkage.
  
- **Duration of linkage:** Coal linkages will be provided for the consumption of coal by the power plant for a period of three months.
- **Periodicity of the auction:** Auction of coal linkages will be carried out every quarter.
- An annual calendar will be published by the coal companies in this regard.
- **Methodology for bidding:** The coal company will conduct a competitive bidding process. The bid for the auction will include a premium above the notified price of coal.
- **Conditions on the use of power:** The power generated under these coal linkages will have to be sold in the day-ahead market through power exchanges, and short term through a transparent bidding process using the Discovery of Efficient Energy Price (DEEP) portal.
  
- **The DEEP portal is an e bidding and e-reverse auction portal for procurement of short term supply of power by distribution companies.**