Coal Distribution Over the Years: From Allocation to Auction, Powering India's Growth

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Every unit of electricity has a journey behind it.

Before a light comes on in a home, machinery starts inside a factory, or a steel or cement plant begins production, a much larger chain of activity is already in motion.

Behind India's growing demand for electricity lies another equally important story: the journey of coal from the mine to the consumer, and the distribution system that keeps this journey moving.

Over the past decade, Coal India Limited (CIL) has reshaped this journey. A system once driven largely by traditional linkages (allocated on nomination basis) has evolved into a broader framework of long-term supply assurance, competitive auctions, digital interfaces and greater flexibility.

A channel for every consumer

CIL today serves consumers through a diversified set of supply channels designed around different requirements.

For the power sector, Fuel Supply Agreements (FSAs) remain the foundation of long-term coal availability. The introduction of the SHAKTI policy in 2017, followed by its revision in 2025, brought greater transparency and competitiveness to coal allocation for power producers.

For non-power consumers, linkage auctions introduced in 2016 created a competitive route for industries such as cement, steel, sponge iron, captive power and others to secure long-term supplies. The increased transparent and efficient allocation mechanism led to a situation where cumulative power-sector linkages stand at around 643 MT, while non-power linkages are around 119 MT.

While long-term demand is addressed through linkages and FSAs, short-term requirements are met through e-auctions. These auction-based mechanisms where all consumers, traders, exporters etc are allowed to participate on a common platform, not only cater to short term coal requirements but also enable the growth of vibrant and dynamic spot markets in the country. Smaller MSME consumers requiring less than 10,000 tonnes annually are having the option of being served through State-Nominated Agencies (SNAs).

Together, these channels have created a more responsive distribution framework, allowing coal supply to better reflect consumer needs across sectors and time horizons.

Making coal procurement easier

The evolution of coal distribution has also been driven by efforts to make coal procurement simpler, more efficient and more consumer friendly.

For the Power FSAs, CIL has revised the FSA structure and now for the first time in the country, the FSAs have the contractual agreement to deliver a fixed amount of Gross Calorific Value to the consumer as against the previous FSAs where contracts were based on tonnage of the fuel being supplied. CIL has also reduced interest rates on delayed payments from around 14.65%, to about 8.25%. This has improved liquidity and eased the financial burden on the power sector.

Since 2014, CIL has rationalised around 105 MT of coal linkages, with potential annual savings of more than ₹7,500 crore for the power sector through lower transportation costs and more efficient utilisation of domestic coal.

For non-power consumers, measures such as e-BG facilities, pre-auction coal-quality testing, registration of multiple end-use plants under a single bidder ID, and greater choice of transportation modes have simplified procurement.

Much of this transformation is now digital. Online information systems, online reconciliation facilities, integration of Third-Party Sampling Agencies portals with the buyers and sellers, grievance-redressal portals, SAP integration and customer interfaces along with integration with Railways portals have changed the way producers, consumers and logistic service providers interact from the comforts of their workplaces.

Coal distribution is therefore no longer only about moving coal. It is increasingly about making access simpler, more transparent and easier to manage.

From mine to market: expanding evacuation

Producing coal is only half the journey. The other half begins when coal leaves the mine and how it travels to the consumers.

Rail mode despatch increased from 272.9 MT in FY 2015–16 to 414.0 MT in FY 2025–26, a growth of around 52%. Average rake loading increased from around 212.8 rakes/day to 338 rakes/day, representing a growth of nearly 59%. Road mode dispatch for consumers in the vicinity of the mines increased from 156.1 MT to 221.8 MT, while movement through Merry-Go-Round (MGR) systems increased from 92.3 MT to 97.1 MT.

The next phase is centered on First Mile Connectivity (FMC), mechanised loading, silos and multimodal logistics. CIL has undertaken 72 FMC projects with a planned capacity of 843 MT. Together with 20 existing CHP-silos with a capacity of 151 MT, mechanised and rapid-loading capacity is expected to reach around 994 MT by FY 2028–29.

These investments are intended to make evacuation faster, more reliable and better aligned with future production levels.

A distribution system evolving with India

The progress of coal distribution is increasingly reflected in the way different parts of the value chain are coming together.

Production must remain aligned with demand, allocation with consumer requirements, logistics with output, and infrastructure with future scale. Digital systems are helping make this entire process simpler, faster and more transparent.

Coal distribution has thus evolved beyond a system focused primarily on allocation into an increasingly integrated framework connecting production, supply, access, logistics and consumer needs.

As India's energy requirements continue to grow, this integrated framework enables CIL to respond with greater agility and consistency across the coal value chain.

With a strong mine-to-market network, Coal India Limited continues to enhance the reliability, efficiency and transparency of coal supply, supporting the country's expanding energy and economic needs.

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